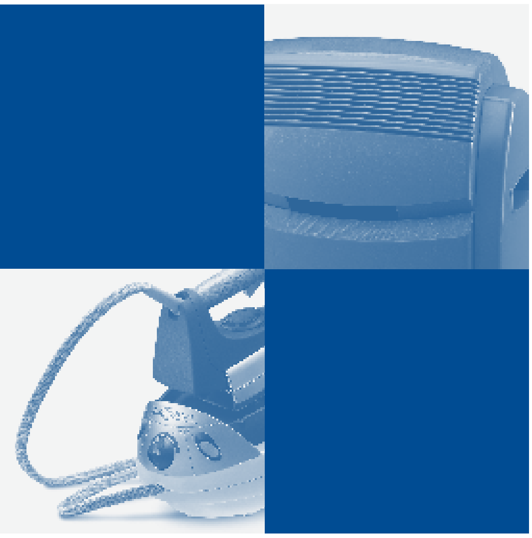
Half-year report at 2007

Contents

Company officers



Company officers*

Board of Directors

Giuseppe De'Longhi	Chairman
Fabio De'Longhi	Vice Chairman and Chief Executive Officer
Alberto Clò**	Director
Renato Corrada**	Director
Silvia De'Longhi	Director
Carlo Garavaglia	Director
Giorgio Sandri	Directorr
Silvio Sartori	Director
Giovanni Tamburi**	Director

Board of Statutory Auditors

Gianluca Ponzellini	Chairman
Massimo Lanfranchi	Standing member
Giuliano Saccardi	Standing member
Roberto Cortellazzo-Wiel	Alternate member
Enrico Pian	Alternate member

External auditors

Pricewaterhousecoopers S.p.a.***

Internal Auditing and Corporate Governance Committee

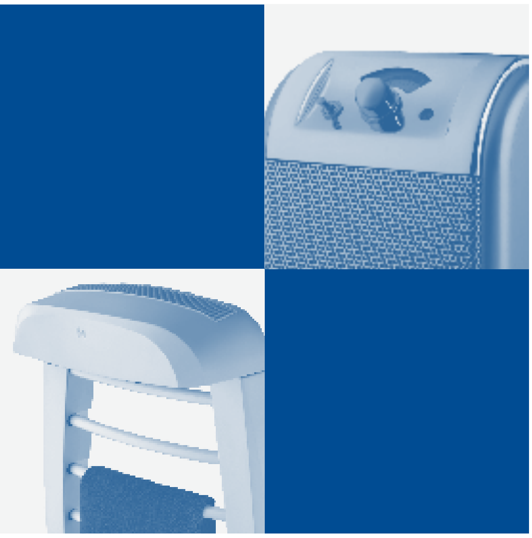
Renato Corrada**
Carlo Garavaglia
Giovanni Tamburi**

Compensation Committee

Alberto Clò**
Carlo Garavaglia
Giovanni Tamburi**

* The company officers were elected at the shareholders' meeting of 18 April 2007 for the period 2007-2009; Dario Melò resigned as a director on 12 July 2007 with Silvia De'Longhi being co-opted to the Board on the same date.
** Independent directors.
*** Extension of audit engagement to financial years 2007-2008-2009 approved by the shareholders' meeting of 18 April 2007.

Directors' report on operations



Directors' report on operations

The first half of the year was characterized by an extraordinary event: the fire on 18 April at the company's headquarters affected the factory, the production lines and certain technical offices, without harming anybody, either employees, firefighters or police. The group has devoted significant time and effort to dealing with the effects of the fire; an extraordinary action plan was immediately drawn up, involving the recovery, clean up and reconstruction of production moulds and the activation of new production lines at the factory in Mignagola (Treviso) in place of those destroyed; nine new lines have entered into production to date, raising production capacity to a higher level than before the fire.

Despite this absolutely extraordinary event, which hurt the sales of certain product lines, the second quarter closed with a double-digit growth in sales of 15.1% on the same period in 2006, demonstrating the strength of the group's brands and products but above all its ability to react in adversity.
EBITDA, before non-recurring expenses, was €33.9 million in the second quarter of 2007 (with a margin of 9.8% on revenues), having increased by 75.9% of last year's second quarter figure of €19.3 million.

As for the half-year figures, sales were 10.5% higher than in the same period of 2006 at €636.5 million (+12% at constant exchange rates).

Gross profit was €250.1 million, with a margin of 39.3% up from 38.2% in the first half of 2006, confirming the upward trend already seen in the first quarter, despite the fact that there were no signs of a decline in raw material prices, which continued to be under considerable pressure.

EBITDA, before non-recurring expenses, came to €57.5 million for the half year, up 47.4% on the same period in 2006 and reporting an improvement in margin from 6.8% in 2006 to 9.0% in 2007 (assuming the same scope of consolidation, ie. excluding Elba S.p.A., sold in June 2006, and RC Group, acquired in October 2006, the margin would have increased from 6.5% to 8.9%).

EBIT increased by 46.7% to €32.7 million, with the margin climbing from 3.9% in the first half of 2006 to 5.1% in the same period of 2007 despite the adverse impact of the fire. Assuming the same scope of consolidation, this margin would have improved from 3.7% to 4.9%.

These results were achieved thanks to growth by both the *Household* division and the *Professional* division; the latter performed the better of the two thanks not only to its historic businesses but also to the newly-acquired RC Group.

The *Household* division reported a 2.4% increase in revenues; assuming the same scope of consolidation (in other words, ignoring Elba) the division would have boosted its revenues by 7.2%. EBITDA, before non-recurring expenses, increased by 43.1% (62.4% assuming the same scope of consolidation). These results mostly reflected higher sales of coffee machines, food processors and portable air-conditioning products which more than made up for poor sales of heating products due to the mild winter.

The *Professional* division reported a 40.3% increase in revenues (18.9% assuming the same scope of consolidation ie. ignoring the acquisition of RC Group); EBITDA, before non-recurring expenses, improved by 53.1% (31.0% assuming the same scope of consolidation) mainly thanks to large thermo-cooling systems.
In terms of performance on individual markets, sales in Europe were higher with a particular improvement in Germany, Russia and Eastern Europe; the North American market continued to expand despite the euro's appreciation, while Asia reported a slight downturn due to the mild winter.

Despite the rise of more than one basis point in 3-month Euribor, net financial expenses remained virtually the same as in the corresponding period of 2006 if we ignore the upfront fee of €1.3 million, expensed in full in the period, in relation to the new arrangements for factoring receivables as from March 2007 under a master agreement expiring in 2012.

The result after taxes was a profit of €3.5 million compared with a loss of €0.7 million in the first half of 2006, ignoring the extraordinary financial income arising on the sale of Elba.

The net financial position reported net borrowings of €381.1 million, €66.5 million more than at 31 December 2006. This increase reflected not only the greater absorption of financial resources typifying the first half of the year, but also €29.5 million in fewer receivables factored without recourse and the funding of the sharp growth in business, especially in the second quarter of the year.

Significant events

Fire at the Treviso headquarters on 18 April 2007

On 18 April 2007 a fire broke out in the company's headquarters in Via L. Seitz, Treviso. The fire affected the factory, the production lines and certain technical offices without harming anybody, either employees, firefighters or police. The fire did not affect computer equipment or the supply chain, which remained intact with no interruption to their operation, while the accounting and commercial offices resumed their business as usual just a few days after the fire.
A company task force immediately drew up an extraordinary action plan, involving the activation of new production lines at the factory in Mignagola (Treviso) in place of those destroyed. The new production lines have raised production capacity to a higher level than before the fire. A total of 577 workers are employed in the Mignagola factory (474 at the Treviso factory burned down in the fire).
As regards the associated effects on the consolidated financial statements relating to the "Buildings" and "Production plant" of De'Longhi S.p.A. that were destroyed, the estimated net book value of these assets of €19.3 million is adequately covered by the property all-risks plan with Assicurazioni Generali.
As for inventories, the damage incurred (inclusive of samples, prototypes and consumable materials) amounted to around €19.5 million and is also covered by insurance, less the related exempt amount.
The group also has adequate insurance for the reimbursement of all the extra costs that have been and will be incurred for restarting production and getting back to previous levels of production.
During the month of June Assicurazioni Generali paid the sum of €15 million as an advance on the total claim, in

accordance with the terms of the insurance policy.

The pre-tax impact on the consolidated income statement of the costs incurred following the fire, less the related insurance reimbursement, has been estimated at €5.3 million. This amount is classified in the income statement under "Other non-recurring income (expenses)", as detailed in the explanatory notes. It is not final because it does not take account of the right to receive additional compensation on top of the book value of the assets destroyed and the entitlement to reimbursement for indirect expenses (amongst which the loss of earnings from the sale of material destroyed in the fire), which will be recognized when the claim is finally settled.

New without-recourse receivables factoring programme 2007 – 2012

A new without-recourse receivables factoring programme was agreed on 20 March 2007 and falls within the scope of Law 52/91 (known as the Factoring Law). The purpose of these new arrangements was to replace those adopted since September 2002; the previous arrangements were such that the adoption of IAS/IFRS led to a steady reduction in the amount factored, making it necessary to redesign them in order to restore this benefit to above its original level (a maximum amount of €100 million) by reincluding without-recourse factoring carried out on a non-recurring basis. This increase in receivables qualifying for derecognition was also achieved by including the factoring of receivables from foreign customers and adopting a system of factoring receivables gross of any credit notes.

The operation was arranged by BNP Paribas and Finanziaria Internazionale (both of whom were the arrangers of the previous operation). In addition to the parent company De'Longhi S.p.A., the companies assigning their receivables are DL Radiators S.p.A and Ariete S.p.A..

The one-off costs of this operation, which include upfront arrangers fees and placement fees (for placing the mezzanine and junior notes, for the credit line and the legal costs for structuring the deal), amount to €1.5 million and have been expensed in full to the consolidated income statement at 30 June 2007.

The without-recourse factoring of receivables is carried out by the Italian branch of BNP Paribas, while the non-senior notes issued, split into three tranches (mezzanine A, mezzanine B and Junior notes) with an increasing degree of risk, have been subscribed by banks and/or institutional investors.

Consolidated income statement

Key figures from the consolidated income statement are presented below.

1st half figures

(€/million)	1st half 2007	% of revenues	1st half 2006	% of revenues	Change	% change
Revenues	636.5	100.0%	576.2	100.0%	60.4	10.5%
Gross profit	250.1	39.3%	219.9	38.2%	30.2	13.7%
EBITDA before non-recurring income/expenses	57.5	9.0%	39.0	6.8%	18.5	47.4%
EBITDA	51.8	8.1%	41.4	7.2%	10.4	25.1%
EBIT	32.7	5.1%	22.3	3.9%	10.4	46.7%
Profit for the period pertaining to the group	3.5	0.6%	24.3	4.2%	(20.8)	(85.5%)

2nd quarter figures

(€/million)	2nd quarter 2007	% of revenues	2nd quarter 2006	% of revenues	Change	% change
Revenues	345.3	100.0%	300.0	100.0%	45.3	15.1%
Gross profit	138.7	40.2%	116.6	38.9%	22.2	19.0%
EBITDA before non-recurring income/expenses	33.9	9.8%	19.3	6.4%	14.6	75.9%

1st half pro-forma figures

For a better presentation of the results, we have prepared the following pro-forma figures on the basis of the same scope of consolidation and so ignoring the impact of the major transactions carried out in 2006, namely the sale of Elba S.p.A. by the *Household* division and the purchase of RC Group by the *Professional* division:

(€/million)	1st half 2007 pro-forma	% of revenues	1st half 2006 pro-forma	% of revenues	Change	% change
Pro-forma revenues	605.6	100.0%	556.6	100.0%	48.9	8.8%
Pro-forma EBITDA before non-recurring income/expenses	53.9	8.9%	36.3	6.5%	17.6	48.5%
Pro-forma EBITDA	48.2	8.0%	38.7	6.9%	9.5	24.6%
Pro-forma EBIT	29.5	4.9%	20.4	3.7%	9.1	44.7%

Consolidated balance sheet

(€/million)	30.06.2007	31.12.2006	30.06.2006 (*)
Net working capital	372.5	307.0	362.2
Net capital employed	994.9	935.2	963.5
Net financial position	(381.1)	(314.6)	(360.6)
Net working capital/net revenues (pro-forma) (**)	32.2%		34.5%

(*) The figures at 30 June 2006 include €5.7 million in amounts due to factors for receivables factored without recourse.
(**) Amount assuming same scope of consolidation and gross of benefits arising from factoring of receivables without recourse.

Results by business segment

Household

(€/million)	1st half 2007	1st half 2006	Change 2007/2006	1st half 2006 pro-forma (**)	Change 2007/2006 pro-forma
Net revenues (*)	449.2	438.8	10.5	419.2	30.0
% change			*2.4%*		*7.2%*
EBITDA before non-recurring expenses	32.7	22.8	9.8	20.1	12.6
% of revenues	*7.3%*	*5.2%*		*4.8%*	

(*) Consolidated revenues reflect the aggregate figures of the two segments after eliminating intersegment transactions. Intersegment revenues amounted to €16.2 million at 30 June 2007 and €7.7 million at 30 June 2006.
(**) The pro-forma figures at 30 June 2006 have been calculated assuming the same scope of consolidation (in other words excluding the figures of Elba for the period January - May 2006).

The *Household* division reported a 2.4% increase in revenues in the first six months of 2007 relative to the same period in 2006; assuming the same scope of consolidation, revenues would have risen by 2.7% mostly thanks to sales of coffee machines, food processors and portable air-conditioners, which more than made up for poor sales of heating products.

Professional

(€/million)	1st half 2007	1st half 2006	Change 2007/2006	1st half 2007 pro-forma (**)	Change 2007/2006 pro-forma
Net revenues (*)	203.5	145.0	58.4	172.5	27.5
% change			*40.3%*		*18.9%*
EBITDA before non-recurring expenses	24.8	16.2	8.6	21.2	5.0
% of revenues	*12.2%*	*11.2%*		*12.3%*	

(*) Consolidated revenues reflect the aggregate figures of the two segments after eliminating intersegment transactions. Intersegment revenues amounted to €16.2 million at 30 June 2006 and €7.7 million at 30 June 2006.
(**) The pro-forma figures at 30 June 2007 have been calculated assuming the same scope of consolidation (in other words excluding the figures of RC Group from the first half of 2007).

Markets

The group's revenues are broken down below by geographical area (the pro-forma figures have been determined assuming the same scope of consolidation, thus excluding the sales of Elba S.p.A. from 2006 revenues and the sales of the RC Group from 2007 revenues):

(€/million)	1st half 2007	1st half 2006	Change	% change	1st half 2007 pro-forma	1st half 2006 pro-forma	Change pro-forma	% change pro-forma
Italy	163.5	146.3	17.2	11.8%	151.2	147.0	4.2	2.9%
United Kingdom	67.2	63.6	3.7	5.8%	63.2	55.1	8.1	14.7%
Rest of Europe	263.4	218.4	45.1	20.6%	250.9	216.2	34.7	16.0%
United States, Canada and Mexico	43.1	42.5	0.6	1.5%	43.1	40.9	2.2	5.4%
Rest of the world	99.2	105.5	(6.2)	(5.9%)	97.1	97.3	(0.2)	(0.2%)
Total	**636.5**	**576.2**	**60.4**	**10.5%**	**605.6**	**556.6**	**49.0**	**8.8%**

Sales on the Italian and UK markets improved thanks to large thermo-cooling systems.

The growth in sales in the "Rest of Europe" particularly reflected good performance in Germany, where demand for coffee machines continued to grow, in Greece, in Russia, which benefited from investments the previous year (acquisition of a factory producing oil-filled radiators and opening of a sales office) and in other East European countries.

Sales were also up in North America, despite the unsatisfactory performance of domestic heating products.

Assuming the same scope of consolidation, sales in the "Rest of the world" were virtually the same as in 2006; strong sales of small domestic appliances were offset by lower sales of portable heating products.

Group results

Gross profit reported in the following reclassified income statement has been redefined to include all transformation costs.

The reclassified consolidated income statement is summarized as follows:

(€/million)	1st half 2007	% of revenues	1st half 2006	% of revenues
Net revenues	**636.5**	**100.0%**	**576.2**	**100.0%**
Change 2007/2006	*60.4*	*10.5%*		
Materials consumed & other production costs (services and production payroll costs)	(386.4)	(60.7%)	(356.2)	(61.8%)
Gross profit	**250.1**	**39.3%**	**219.9**	**38.2%**
Cost of services & other expenses	(134.9)	(21.2%)	(127.5)	(22.1%)
Value added	**115.2**	**18.1%**	**92.4**	**16.0%**
Payroll (non-production)	(51.7)	(8.1%)	(48.0)	(8.3%)
Provisions	(6.0)	(0.9%)	(5.4)	(0.9%)
EBITDA before non-recurring income/expenses	**57.5**	**9.0%**	**39.0**	**6.8%**
Change 2007/2006	*18.5*	*47.4%*		
Other non-recurring income (expenses)	(5.7)	(0.9%)	2.4	0.4%
EBITDA	**51.8**	**8.1%**	**41.4**	**7.2%**
Amortization and depreciation	(19.1)	(3.0%)	(19.1)	(3.3%)
EBIT	**32.7**	**5.1%**	**22.3**	**3.9%**
Change 2007/2006	*10.4*	*46.7%*		
Financial income (expenses)	(21.9)	(3.4%)	(22.5)	(3.9%)
Financial expenses for new without-recourse receivables factoring programme	(1.3)	(0.2%)	-	0.0%
Extraordinary income (expenses) from equity investments	-	0.0%	24.9	4.3%
Profit before taxes	**9.6**	**1.5%**	**24.7**	**4.3%**
Taxes	(5.9)	(0.9%)	(0.1)	(0.0%)
Profit (loss) for the period	**3.7**	**0.6%**	**24.6**	**4.3%**
Profit (loss) pertaining to minority interests	0.1	0.0%	0.2	0.0%
Profit (loss) pertaining to the group	**3.5**	**0.6%**	**24.3**	**4.2%**
Profit (loss) pertaining to the group before extraordinary income/expenses from equity investments	**3.5**	**0.6%**	**(0.7)**	**(0.1%)**

The gross profit presented above differs by €62.7 million in the first half of 2007 (€66.7 million in the first half of 2006) from the consolidated income statement, reflecting the reclassification of production-related payroll and service costs from payroll and services respectively, with the purpose of achieving a better presentation of period performance.

Gross profit improved by €30.2 million from €219.9 million in 2006 to €250.1 million in 2007 (with the margin going from 38.2% to 39.3%) despite the rise in raw material prices over the period.

EBITDA before non-recurring expenses came to €57.5 million for the half year, up 47.4% on the same period in 2006 and reporting an improvement in margin from 6.8% in the first half of 2006 to 9.0% in the same period of 2007 (assuming the same scope of consolidation, ie. excluding Elba in 2006 and RC Group in 2007, the margin would have increased from 6.5% to 8.9%).

The *Household* division reported €32.7 million in EBITDA before non-recurring expenses (€22.8 million in 2006); the increase in 2007 was €9.8 million (+43.1%), becoming €12.6 million (+62.4%) assuming the same scope of consolidation. These results mostly reflected higher sales of coffee machines, food processors and portable air-conditioning products which more than made up for poor sales of heating products due to the mild winter.

The *Professional* division reported €24.8 million in EBITDA before non-recurring expenses in 2007 (€16.2 million in 2006); the increase was €8.6 million (+53.1%) or €5.0 million (+31.0%) assuming the same scope of consolidation, and reflected a big rise in sales of large thermo-cooling systems both in Italy and abroad.

Net financial expenses remained virtually the same as in the corresponding period of 2006 if we ignore the upfront fee of €1.3 million, expensed in full in the period, in relation to the new arrangements for factoring receivables as from March 2007 under a master agreement expiring in 2012.

The result after taxes was a profit of €3.5 million compared with a loss of €0.7 million in the first half of 2006, ignoring the extraordinary income from equity investments.

Review of the balance sheet and financial position

The reclassified consolidated balance sheet is summarized below:

(€/million)	30.06.2007	31.12.2006	Change 30.06.2007-31.12.2006	30.06.2006	Change 30.06.2007-30.06.2006
Non-current assets	**709.3**	**718.9**	**(9.6)**	**692.6**	**16.8**
Inventories	384.5	323.7	60.8	386.4	(1.9)
Receivables	329.9	348.0	(18.1)	294.4	35.5
Other current assets	63.3	39.4	23.9	35.2	28.1
Suppliers	(328.0)	(327.1)	(0.9)	(281.3)	(46.7)
Other current liabilities	(77.2)	(77.1)	(0.2)	(72.4)	(4.8)
Net working capital	**372.5**	**307.0**	**65.5**	**362.2**	**10.3**
Total non-current liabilities and provisions	(86.9)	(90.7)	3.8	(91.3)	4.4
Net capital employed	**994.9**	**935.2**	**59.7**	**963.5**	**31.4**
Net financial position (*)	**381.1**	**314.6**	**66.5**	**360.6**	**20.5**
Total net equity	**613.8**	**620.6**	**(6.8)**	**602.8**	**11.0**
Total net borrowings and equity	**994.9**	**935.2**	**59.7**	**963.5**	**31.4**

(*) The net financial position at 30 June 2006 included €5.7 million in amounts due to factors for receivables factored without recourse.

Investments in property, plant and equipment (ignoring the cost of replacing assets destroyed in the fire) amounted to €20.1 million (€18.2 million in the same period of 2006).
As regards working capital management, assuming the same scope of consolidation and ignoring the benefits of factoring receivables without recourse, net working capital turnover improved from 34.5% of revenues at 30 June 2006 to 32.2% at 30 June 2007.

The net financial position reported net borrowings of €381.1 million, €66.5 million more than at 31 December 2006. This increase reflected not only the greater absorption of financial resources typifying the first half of the year, but also €29.5 million in fewer receivables factored without recourse and the funding of the sharp growth in business, especially in the second quarter of the year.

The cash flow statement can be summarized as follows:

(€/million)	1st half 2007	1st half 2006	31.12.2006
Cash flow from operating activities	33.7	6.3	49.8
Cash flow from factoring receivables without recourse (change)	(29.5)	(42.2)	3.9
Cash flow from other changes in working capital	(33.7)	24.4	41.6
Cash flow from investments	(26.6)	(15.0)	(38.0)
Cash flow from operating activities	**(56.2)**	**(26.5)**	**57.3**
Cash flow generated by deconsolidating Marka Finance S.A. and factoring receivables without recourse	-	107.2	112.9
Cash flow from sale of Elba S.p.A and acquisition of RC Group	-	78.2	34.6
Cash flow absorbed by changes in equity accounts	(10.4)	(8.2)	(8.0)
Cash flow for the period	**(66.5)**	**150.8**	**196.8**
Opening net financial position	(314.6)	(511.4)	(511.4)
Closing net financial position	**(381.1)**	**(360.6)**	**(314.6)**

Human resources

The following table summarizes the average number of employees during the first half of 2007 compared with the first half of 2006:

	1st half 2007	%	1st half 2006	%	31.12.2006	%
Household	5,889	79.3%	6,455	83.6%	6,389	83.6%
Professional	1,537	20.7%	1,266	16.4%	1,256	16.4%
Total	**7,426**	**100%**	**7,721**	**100%**	**7,645**	**100%**

Related-party transactions

The transactions and balances arising from dealings by group companies with ultimate parent companies, associated companies and other related parties are summarized in the explanatory notes.

Subsequent events

Group reorganization

The Board of Directors of De'Longhi S.p.A. has approved a plan to reorganize the group's corporate structure involving its separation into the two distinct business sectors in which it operates (*Household* and *Professional*) in order to improve its market positioning and competitiveness.

The reasons for this reorganization are as follows:

- the need to have a corporate structure that corresponds to the two divisions characterizing the group's business;
- the opportunity to create a system of Governance that responds to the need for a more efficient, effective management of the individual businesses and the possibility of optimizing the human resources common to both the *Professional* and *Household* divisions by centralizing certain services under the parent company; De'Longhi S.p.A. will therefore be left as a holding company, with the role of setting strategy, controlling, coordinating and managing centralized activities and resources;
- the prospect of more easily developing synergies and joint ventures with other players in either sector;
- the opportunity to communicate the positioning of De'Longhi S.p.A. correctly to investors, informing them of the existence of the two different business areas.

The reorganization has taken place by creating two sub-holding companies, one for the *Professional* division and one for the *Household* division, and through a number of corporate actions involving:

- the transfer of the investment in DL Radiators (a company which produces and sells terminal units for fixed heating systems) to the sub-holding company De'Longhi Professional and the transfer from De'Longhi S.p.A. to De'Longhi Professional of the entire investment currently held in Climaveneta (a company specialized in the production of large thermo-cooling systems for commercial and industrial use);
- the conferral by De'Longhi S.p.A., completed in July 2007, on a wholly-owned subsidiary (De'Longhi Appliances) of the business represented by the *Household* division, inclusive of its numerous foreign subsidiaries and investments.

All these operations have been carried out on a tax-neutral basis and have not had any impact on consolidated net equity, financial position or EBITDA.

A document was filed on 16 July 2007 at the company's registered office and with Borsa Italiana S.p.A. containing information for the market on the group's reorganization process. This document reports on the nature of the corporate actions (between group companies and with no effect on consolidated net equity, financial position or EBITDA), and was drawn up in accordance with articles 71 and 71-bis and Appendix 3B (format 4) of CONSOB Regulation 11971 dated 14 May 1999 and subsequent amendments and additions thereto (the "Issuers' Regulations").

The group has carried out two acquisitions subsequent to the end of June 2007: the acquisition in the *Household* division of a Swiss company, which is a leading distributor of domestic appliances including those of the group, and the acquisition in the *Professional* division of another 25% of the company which distributes Climaveneta products on the Spanish market, thereby achieving joint control of this company.

Kenwood Swiss AG

On 23 July Kenwood Swiss AG, a wholly-owned subsidiary of the group, purchased the De'Longhi and Kenwood distribution business in Switzerland, which reported sales of around CHF 25 million in financial year 2006/2007; this transaction was completed at a value of CHF 5 million for acquiring CHF 2.2 million in net equity.
The acquisition will make it possible to integrate the distribution activities within the De'Longhi Group in an ever more competitive, globalized market.

Top Clima S.A.

During the month of July the group acquired 25% of the share capital in the current Climaveneta distributor in Spain, giving it joint control of this company, which reported €30.5 million in sales in 2006 and has €7 million in net equity; the transaction was completed at a value of €2.5 million, inclusive of a positive price adjustment for the purchase of the previous shares. Joint control of this company will make it possible to be more competitive in one of the most important European markets for large thermo-cooling systems.

Outlook for the rest of 2007

The growth in revenues reported by both the group's divisions in the first half of 2007 is expected to continue in the second half of the year.

Treviso, 12 September 2007

for the Board of Directors
Vice Chairman and CEO
Fabio De'Longhi

Consolidated financial statements

Consolidated income statement

(€/000)	Notes	30.06.2007	30.06.2006
Revenues from sales and services	1	623.081	562.306
Other operating income and revenues	1	13.453	13.868
Total consolidated net revenues		**636.534**	**576.174**
Raw and ancillary materials, consumables and goods	2	(403.327)	(355.707)
Change in inventories of finished products and work in progress	3	55.647	54.266
Change in inventories of raw and ancillary materials, consumables and goods	3	23.969	11.934
Materials consumed		**(323.711)**	**(289.507)**
Payroll costs	4	(84.867)	(84.452)
Services and other operating expenses	5	(164.464)	(157.794)
Contingency and other provisions	6	(6.006)	(5.411)
Other non-recurring income (expenses)	7	(5.707)	2.390
Amortization and depreciation	8	(19.087)	(19.115)
EBIT		**32.692**	**22.285**
Financial income (expenses) from equity investments	9	2	24.941
Other financial income (expenses)	9	(23.137)	(22.502)
Financial income (expenses)		**(23.135)**	**2.439**
EARNINGS BEFORE TAX (EBT)		**9.557**	**24.724**
Taxes	10	(5.901)	(147)
PROFIT (LOSS) AFTER TAXES		**3.656**	**24.577**
Profit (loss) pertaining to minority interests	26	133	228
PROFIT (LOSS) PERTAINING TO THE GROUP		**3.523**	**24.349**
EARNINGS PER SHARE			
- basic		**0,024**	**0,16**
- diluted		**0,024**	**0,16**

Appendix 1 reports the effect of related-party transactions on the income statement, as required by CONSOB Resolution 15519 of 27 July 2006.

Consolidated balance sheet

Assets

(€/000)	Notes	30.06.2007	31.12.2006	30.06.2006
NON-CURRENT ASSETS				
INTANGIBLE ASSETS		412.969	414.158	395.927
- Goodwill	11	223.701	223.679	203.779
- Other intangible assets	12	189.268	190.479	192.148
PROPERTY, PLANT AND EQUIPMENT		243.532	255.183	239.823
- Land, property, plant and machinery	13	200.951	213.522	201.006
- Other tangible assets	14	42.581	41.661	38.817
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS		11.932	11.317	8.743
- Equity investments (in associated companies)	15	6.607	6.476	6.428
- Equity investments (in other companies)	15	731	731	204
- Receivables	16	2.094	1.610	2.111
- Other securities	17	2.500	2.500	-
DEFERRED TAX ASSETS	18	43.911	41.332	49.184
TOTAL NON-CURRENT ASSETS		**712.344**	**721.990**	**693.677**
CURRENT ASSETS				
INVENTORIES	19	384.517	323.733	386.435
TRADE RECEIVABLES	20	329.899	348.014	294.353
CURRENT TAX ASSETS	21	26.228	20.530	18.947
OTHER RECEIVABLES	22	37.044	18.865	16.226
CURRENT FINANCIAL RECEIVABLES AND ASSETS	23	5.389	994	1.951
CASH AND CASH EQUIVALENTS	24	76.804	112.952	145.100
TOTAL CURRENT ASSETS		**859.881**	**825.088**	**863.012**
TOTAL ASSETS		**1.572.225**	**1.547.078**	**1.556.689**

Consolidated balance sheet

Net equity and liabilities

(€/000)	Notes	30.06.2007	31.12.2006	30.06.2006
NET EQUITY				
GROUP PORTION OF NET EQUITY		608.464	615.568	600.987
- Share capital	25	448.500	448.500	448.500
- Reserves	26	156.441	127.292	128.138
- Profit (Loss) pertaining to the group		3.523	39.776	24.349
MINORITY INTERESTS	26	5.339	5.037	1.860
TOTAL NET EQUITY		**613.803**	**620.605**	**602.847**
NON-CURRENT LIABILITIES				
FINANCIAL PAYABLES		181.961	209.648	278.043
- Bank loans and borrowings (long-term portion)	27	165.778	191.919	266.704
- Other financial payables (long-term portion)	28	16.183	17.729	11.339
DEFERRED TAX LIABILITIES	18	21.860	20.461	14.783
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES		65.013	70.236	76.489
- Employee benefits	29	36.560	42.009	38.893
- Other provisions	30	28.453	28.227	37.596
TOTAL NON-CURRENT LIABILITIES		**268.834**	**300.345**	**369.315**
CURRENT LIABILITIES				
TRADE PAYABLES	31	328.005	327.088	281.319
FINANCIAL PAYABLES		284.364	221.975	230.768
- Bank loans and borrowings (short-term portion)	27	263.652	203.898	204.730
- Other financial payables (short-term portion)	28	20.712	18.077	26.038
CURRENT TAX LIABILITIES	32	20.516	21.154	18.917
OTHER PAYABLES	33	56.703	55.911	53.523
TOTAL CURRENT LIABILITIES		**689.588**	**626.128**	**584.527**
TOTAL NET EQUITY AND LIABILITIES		**1.572.225**	**1.547.078**	**1.556.689**

Appendix 1 reports the effect of related-party transactions on the balance sheet, as required by CONSOB Resolution 15519 of 27 July 2006.

Consolidated cash flow statement

(in terms of Cash and cash equivalents)

(€/000)	Notes	30.06.2007 6 months	30.06.2006 6 months
Profit (loss) pertaining to the group		3.523	24.349
Net losses relating to the fire		14.321	-
Capital (gains) losses on disposal of equity investments and deconsolidation of Marka Finance		-	(25.083)
Amortization and depreciation		19.087	19.115
Net change in provisions and writedowns		(3.272)	(12.073)
Cash flow generated (absorbed) by current operations (A)		**33.659**	**6.308**
Change in assets and liabilities for the period:			
Trade receivables		17.063	37.171
Inventories		(77.878)	(59.778)
Trade payables		917	7.641
Other current assets and liabilities		(3.288)	(2.878)
Cash flow generated (absorbed) by movements in working capital (B)		**(63.186)**	**(17.844)**
Cash flow generated (absorbed) by current operations and movements in working capital (A+B)		**(29.527)**	**(11.536)**
Investment activities:			
Net investments in intangible assets		(4.893)	(4.936)
Net investments in property, plant and equipment		(21.189)	(9.925)
Net investments in equity investments and other financial assets		(554)	(116)
Cash flow generated (absorbed) by ordinary investment activities (C)		**(26.636)**	**(14.977)**
Cash flow from sale of Elba S.p.A.		-	78.222
Cash flow generated (absorbed) by investment activities (C)		**(26.636)**	**63.245**
Changes in net equity for IAS 32 and 39		(115)	(3.418)
Payment of dividends		(8.970)	(2.990)
Change in currency translation reserve		(1.577)	(1.864)
Increase (decrease) in minority interests in capital and reserves		302	106
Net change in other sources of finance		30.375	(75.474)
Cash flow generated by changes in equity accounts and by financing activities (D)		**20.015**	**(83.640)**
Increase (decrease) in cash and cash equivalents (A+B+C+D)		**(36.148)**	**(31.931)**
Opening cash and cash equivalents	24	**112.952**	**177.031**
Increase (decrease) in cash and cash equivalents (A+B+C+D)		(36.148)	(31.931)
Closing cash and cash equivalents	24	**76.804**	**145.100**

Consolidated cash flow statement

(in terms of Net Financial Position)

(€/000)	Notes	30.06.2007 6 months	30.06.2006 6 months
Profit (loss) pertaining to the group		3.523	24.349
Net losses relating to the fire		14.321	-
Capital (gains) losses on disposal of equity investments and deconsolidation of Marka Finance		-	(25.083)
Amortization and depreciation		19.087	19.115
Net change in provisions and writedowns		(3.272)	(12.073)
Cash flow generated (absorbed) by current operations (A)		**33.659**	**6.308**
Change in assets and liabilities for the period:			
Trade receivables		17.063	37.171
Inventories		(77.878)	(59.778)
Trade payables		917	7.641
Other current assets and liabilities		(3.288)	(2.878)
Cash flow generated (absorbed) by movements in working capital (B)		**(63.186)**	**(17.844)**
Cash flow generated (absorbed) by current operations and movements in working capital (A+B)		**(29.527)**	**(11.536)**
Investment activities:			
Net investments in intangible assets		(4.893)	(4.936)
Net investments in property, plant and equipment		(21.189)	(9.925)
Net investments in equity investments and other financial assets		(554)	(116)
Cash flow generated (absorbed) by ordinary investment activities (C)		**(26.636)**	**(14.977)**
Cash flow from sale of Elba S.p.A.		-	78.222
Cash flow generated (absorbed) by investment activities (C)		**(26.636)**	**63.245**
Changes in net equity for IAS 32 and 39		(115)	(3.418)
Payment of dividends		(8.970)	(2.990)
Change in currency translation reserve		(1.577)	(1.864)
Increase (decrease) in minority interests in capital and reserves		302	106
Cash flow generated by changes in equity accounts (D)		**(10.360)**	**(8.166)**
Effect of factoring receivables without recourse (E)		**-**	**107.207**
Cash flow for the period (A+B+C+D+E)		**(66.523)**	**150.750**
Opening net financial position	28	**(314.604)**	**(511.398)**
Cash flow for the period (A+B+C+D+E)		(66.523)	150.750
Closing net financial position	28	**(381.127)**	**(360.648)**

Statement of changes in consolidated net equity

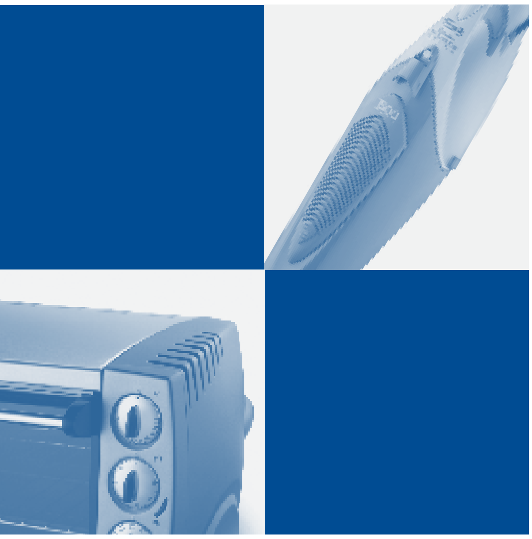
(€/000)	Share capital	Share premium reserve	Legal reserve	Other reserves	Fair value and cash flow hedge reserves	Profit (loss) carried forward	Profit (loss) pertaining to group	Group portion of net equity
Balance at 31 December 2005	**448.500**	**325**	**5.393**	**43.384**	**(620)**	**61.979**	**24.820**	**583.781**
Allocation of 2005 result as per AGM resolution of 27 April 2006								
- payment of dividends							(2.990)	(2.990)
- allocation to reserves			200	808		20.822	(21.830)	-
Changes in reserves for application of IAS					(2.289)			(2.289)
Difference from conversion of foreign companies' financial statements into euro						(1.864)		(1.864)
Profit pertaining to the group							24.349	24.349
Balance at 30 June 2006	**448.500**	**325**	**5.593**	**44.192**	**(2.909)**	**80.937**	**24.349**	**600.987**

(€/000)	Share capital	Share premium reserve	Legal reserve	Other reserves	Fair value and cash flow hedge reserves	Profit (loss) carried forward	Profit (loss) pertaining to group	Group portion of net equity
Balance at 31 December 2006	**448.500**	**325**	**5.593**	**44.192**	**(1.525)**	**78.707**	**39.776**	**615.568**
Allocation of 2006 result as per AGM resolution of 18 April 2007								
- payment of dividends							(8.970)	(8.970)
- allocation to reserves			692	4.184		25.930	(30.806)	-
Changes in reserves for application of IAS					(80)			(80)
Difference from conversion of foreign companies' financial statements into euro						(1.577)		(1.577)
Profit pertaining to the group							3.523	3.523
Balance at 30 June 2007	**448.500**	**325**	**6.285**	**48.376**	**(1.605)**	**103.060**	**3.523**	**608.464**

Statement of gains (losses) recognized in consolidated net equity

(€/000)	1st half 2007	1st half 2006
Gains (losses) recognized directly in cash flow hedge reserve	(80)	(2.289)
Gains (losses) recognized directly in currency translation reserve	(1.408)	(1.864)
Total gains (losses) recognized directly in net equity in period	(1.488)	(4.153)
Profit (loss) for the period	3.656	24.577
Total gains (losses) recognized in the period	**2.168**	**20.424**
Attributable to:		
Group	1.866	20.196
Minority interests	302	228
Total gains (losses) recognized in the period	**2.168**	**20.424**

Explanatory notes



Accounting standards

The De'Longhi Group's half-year report has been prepared on the basis of the international accounting and financial reporting standards issued by the International Accounting Standards Board (IASB), including the SIC and IFRIC interpretations, as adopted by the European Commission (at the date of 30 June 2007), pursuant to EC Regulation 1606 of 19 July 2002.

The following documents have been used for interpretation and application purposes even though not endorsed by the European Commission:

- Framework for the Preparation and Presentation of Financial Statements (issued by the IASB in 2001);
- Implementation Guidance, Basis for Conclusions, IFRIC and other documents issued by the IASB or IFRIC complementing the accounting standards;
- Interpretational documents on how to apply IAS/IFRS in Italy, prepared by the Italian Accounting Board.

The accounting policies and measurement bases are the same as those adopted for preparing the consolidated financial statements at 31 December 2006.

The balance sheet has been prepared on a basis that distinguishes between current and non-current items. The income statement has been presented on the basis of the nature of expense, being a structure regarded as suitable for faithfully representing the group's performance.

As regards the comparative periods, it is reported that for the purposes of consistent comparison a number of minor income statement and balance sheet reclassifications have been made to the figures previously published at 30 June 2006, which have not however affected the profit for the period or the group's portion of net equity; details can be found in the notes on *2.Raw and ancillary materials, consumables and goods* and *5.Services and other operating expenses*.

This report has been prepared in accordance with IAS 34, taking into account the requirements of CONSOB Communication DEM 6064293 of 28 July 2006.

Based on the provisions of IAS 34, the interim financial report is presented in a condensed format and does not include all the information required in annual financial reports.

Furthermore, interim financial statements require using valuation processes that are generally carried out more completely when preparing the annual financial report.

The group's business is traditionally seasonal, with first-half revenues and profit proportionately lower than those of the year as a whole.

The half-year report has been prepared on the basis of historical cost, adjusted as required for the valuation of certain financial instruments. The figures contained in this report are expressed in thousands of euro, which is the reporting currency of the parent company and the group's principal companies.

Consolidation procedures

The scope of consolidation, detailed in Appendix 1, includes the financial statements of the parent company, De'Longhi S.p.A., and of the companies in which it directly or indirectly owns the majority of share capital or shares with voting rights, or over which it has the power, including through contractual agreements, to govern their financial and operating policies.

Subsidiary companies

These are companies over which the group exercises control. Such control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are consolidated starting from the date that control is assumed. The portion of equity and results attributable to minority shareholders is shown separately in the consolidated balance sheet and income statement respectively.

Associated companies

These are companies over which the group has a significant influence regarding their financial and operating policies and which are neither subsidiaries nor joint ventures. The consolidated figures include the group's portion of results of the associated companies, recorded using the equity method, starting from the date when the significant influence began.

Joint ventures

These are companies over whose activities the Group has joint control, as established by contract. The consolidated figures include the group's share of the results of joint ventures, recorded using the proportionate method of consolidation whereby its share of all the joint venture's assets, liabilities, income and costs are combined on a line-by-line basis with similar items in its own financial statements.

Consolidation of foreign companies

All the assets and liabilities of foreign companies that report in a currency other than the euro and which fall within the scope of consolidation are translated into euro using the exchange rate ruling at the reporting date (current exchange rate method). Income and costs are translated using average rates for the reporting period. The exchange differences arising from this method are booked directly to the "currency translation reserve" under consolidated equity.

Transactions eliminated upon consolidation

All material transactions and balances between group companies and all unrealized gains and losses arising on intercompany transactions are eliminated on consolidation.

Transactions in foreign currency

Transactions in foreign currency are recorded at the exchange rate in force on the transaction date. Monetary assets and liabilities in foreign currency are translated using the exchange rate ruling on the reporting date. Exchange differences arising on the extinguishment of monetary items or their translation at different rates to those used upon initial recognition or in previous financial statements are recorded in the income statement.

The following exchange rates were used:

		1st half 2007		1st half 2006		Full year 2006
Currency		Period-end exchange rate (*)	Average exchange rate (*)	Period-end exchange rate (*)	Average exchange rate (*)	Period-end exchange rate (*)
US dollar	USD	1.35050	1.32935	1.27130	1.22921	1.3170
British pound	GBP	0.67400	0.67466	0.69210	0.68715	0.6715
Hong Kong dollar	HKD	10.55690	10.38523	9.87450	9.53619	10.2409
Chinese renminbi (Yuan)	CNY	10.28160	10.25892	10.16480	9.87209	10.2793
Australian dollar	AUD	1.58850	1.64432	1.71170	1.65457	1.6691
Canadian dollar	CAD	1.42450	1.50816	1.41320	1.39967	1.5281
Japanese yen	JPY	166.63000	159.64367	145.75000	142.15717	156.9300
Malaysian ringgit	MYR	4.66260	4.60270	4.67140	4.53026	4.6490
New Zealand dollar	NZD	1.75020	1.85138	2.08640	1.91247	1.8725
Polish zloty	PLN	3.76770	3.84390	4.05460	3.88951	3.8310
South African rand	ZAR	9.55310	9.52994	9.18480	7.76677	9.2124
Singapore dollar	SGD	2.06640	2.03157	2.01370	1.97667	2.0202
Russian rouble	RUB	34.80700	34.66850	34.24000	34.00032	34.6800
Turkish lira	TRY	1.77400	1.82623	2.00750	1.71830	1.8640
Czech koruna	CZK	28.71800	28.15370	28.49300	28.48927	27.4850

(*) source: UIC (Italian Exchange Office)

Scope of consolidation

There have not been any material changes in the scope of consolidation since 31 December 2006.

In view of the corporate actions carried out in 2006 (sale of Elba in June 2006 and purchase of RC Group in October 2006), the principal results from the income statement have been reported on a pro-forma basis in the report on operations, ie. assuming the same scope of consolidation.

As part of the process of reorganizing the group's corporate structure, already described in the report on operations, a number of corporate actions were commenced in the first half of 2007, which have involved the transfer of the investment in DL Radiators (a company which produces and sells terminal units for fixed heating systems) to De'Longhi Professional and the transfer from De'Longhi S.p.A. to De'Longhi Professional

of the entire investment held in Climaveneta (a company specialized in the production of large thermo-cooling systems for commercial and industrial use).
All these operations have been carried out on a tax-neutral basis and have not had any impact on consolidated net equity, financial position or EBITDA.

Segment reporting

Segment information is provided by business segment and geographical area as required by IAS 14 - Segment reporting.
The primary reporting format consists of the "*Household*" and "*Professional*" business segments, while the secondary reporting format refers to geographical areas. This distinction is based on the nature of the risks and returns relating to the group's business and reflects its internal organizational structure and the management reporting system.
The notes on the income statement contain a breakdown of revenues by business segment and geographical area; the segment information (for the primary reporting format) relating to EBIT and the balance sheet can be found in note 38. Segment reporting.
Comments on the results by business segment and geographical area can be found in the report on operations.

Principal accounting policies

Intangible assets

Goodwill

Business combinations, whereby control of a company/entity is acquired, are accounted for in accordance with the purchase method, meaning that the assets and liabilities acquired are initially measured at their market value on the purchase date. The difference between the cost of acquisition and the group's share of equity is attributed to specific balance sheet items to the extent of their fair value on that date; any remaining difference is allocated to goodwill, if positive, and to the income statement if negative. The cost of acquisition is determined on the basis of the fair value on the purchase date of the assets transferred, the liabilities assumed, the equity instruments issued and any other related amount.
Goodwill is not amortized but tested for impairment once a year or more often if specific events or changed circumstances indicate that its value may have been impaired. This procedure is in accordance with IAS 36 – Impairment of assets. After initial recognition, goodwill is valued at cost less any accumulated impairment losses.

Research and development costs

Developments costs for the production of new products or parts are recognized as assets only if the costs can be reliably determined and the technical feasibility of the product and its expected volumes and prices indicate that the costs incurred for development will generate future economic benefits. Capitalized development costs include only those expenses that can be directly attributed to the development process.

Capitalized development costs are amortized on a systematic basis, starting from the commencement of production and lasting the length of the product or process's estimated life, generally ranging between three and five years. All other development costs are expensed to income as incurred.

Research costs are also expensed to income.

Other intangible assets

Other intangible assets purchased or internally generated are recognized as assets in accordance with IAS 38 – Intangible assets, when it is probable that the future economic benefits attributable to their use will flow to the group and when the cost of the asset can be reliably measured.

These assets are valued at purchase or production cost and amortized on a straight-line basis over their estimated useful life if this is finite.

Intangible assets with an indefinite useful life, particularly trademarks, are not amortized but tested for impairment once a year or more often, any time there are signs that their value might be impaired.

Property, plant and equipment

Land, property, plant and machinery

Buildings, plant and equipment owned by the group are recorded at purchase or production cost and systematically depreciated over their residual useful lives. The land pertaining to buildings is not depreciated.

The group adopted deemed cost as the value of certain assets on the IFRS transition date of 1 January 2004. This value was based on expert appraisals.

The cost of assets qualifying for capitalization also includes the financial charges directly attributable to the acquisition, construction or production of the asset itself.

Subsequent expenditure is capitalized only if it increases the future economic benefits flowing to the enterprise. All other costs are expensed to income as incurred.

The depreciation rates used are as follows:

Industrial buildings	3.0% - 10%
Plant and machinery	5.6% - 15%
Industrial and commercial equipment	20% - 33%
Other	15% - 25%

Property, plant and equipment under finance lease

Assets held under finance lease, whereby all the risks and rewards incident to ownership are substantially transferred to the group, are recognized among the group's assets at the lower of the asset's fair value or the present value of the minimum lease payments. The corresponding liability due to the lessor is reported in the balance sheet under financial payables.

Leases under which the lessor substantially retains all the risks and rewards incident to ownership of the asset are classified as operating leases. The costs relating to operating leases are recognized as an expense in the income statement on a straight-line basis over the lease term.

Inventories

Inventories of raw materials, semi-finished and finished products are valued at the lower of cost and market value. Cost is determined using the weighted average cost method. The valuation of inventories includes the direct cost of materials and labour as well as indirect (variable and fixed) costs. Provisions for obsolete and slow-moving goods are calculated for materials and finished products, taking account of their future expected use and realizable value.

Trade receivables

Trade receivables

Trade receivables are initially recorded at fair value. They are not subsequently measured at amortized cost because they refer to short-term assets without transaction costs. Trade receivables are discounted to present value if their payment terms are longer than the average ones generally granted.

The group has factored and securitized its trade receivables. Trade receivables factored without recourse, whose assignment results in the substantial transfer of the related risks and rewards, are eliminated from the balance sheet at the time of their transfer. Receivables whose assignment does not result in the substantial transfer of the related risks and rewards, are retained in the balance sheet.

Since 2002 the parent company and certain group companies have conducted a five-year securitization of trade receivables. This involved the revolving monthly transfer of a portfolio of trade receivables without recourse. A new without-recourse receivables factoring programme was started in March 2007 under a master agreement that expires in 2012 (more information can be found in the report on operations).

Receivables are sold at their face value, less a discount that mostly reflects credit risk and the transaction's financial costs.

De'Longhi S.p.A. and its subsidiaries act as servicers for the assignee.

Under the terms of the contract, the risks and rewards relating to such receivables are now substantially transferred to the assignee, allowing them to be removed from the balance sheet.

Financial assets

All financial assets are initially measured at cost, corresponding to the amount paid plus transaction costs. They are recognized on the trade date, meaning the date when the group makes a commitment to buy or sell the asset. Financial assets are derecognized only when all the associated risks and rewards are substantially transferred together with the assets, or, even if such risks and rewards are not substantially transferred, when the group no longer retains control of the assets.

The way financial assets are classified determines how they are subsequently measured:

Financial assets at fair value through profit or loss

This category includes financial assets acquired mainly for the purpose of selling them in the near term, those designated at fair value upon initial recognition if so permitted, or those for which the fair value option may be exercised.

Financial assets in this category are measured at fair value (or at cost, if they are unlisted or if the fair value is not reliable or cannot be determined, as adjusted for any impairment losses calculated in accordance with IAS 39); the related changes in fair value during the period of ownership are recorded in the income statement. Financial instruments in this category are classified as current assets if they are "held for trading" or if they are expected to be sold within twelve months of the balance sheet date. Derivatives are treated as assets or liabilities depending on whether their fair value is positive or negative respectively; positive and negative fair values relating to transactions with the same counterparty are offset when contractually allowed.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets, except for those contractually due after more than twelve months from the balance sheet date, which are classified as non-current assets. The latter are measured at amortized cost using the effective interest method. Receivables which are due after more than one year and which bear interest or interest at a rate below the market one, are discounted to present value using market rates. If there is objective evidence that an asset is impaired, its carrying amount is reduced to the present value of the estimated future cash flows. Impairment losses are recognized in the income statement. If, in a subsequent period, the amount of the impairment loss decreases, the carrying amount of the asset is reinstated but to no more than what its amortized cost would have been had the impairment not been recognized.

Available-for-sale financial assets

This category includes non-derivative financial assets that are designated as available for sale and are not classified in any of the previous categories. Financial assets in this category are measured at fair value; the related changes in fair value during the period of ownership are recognized in net equity.

The group's financial assets are classified as both current and non-current assets.

Non-current "Equity investments and other financial assets" include equity investments in other companies, non-current loans and receivables and other non-current available-for-sale financial assets.

Current financial assets include trade receivables, other current financial assets, the positive fair value of derivatives and cash and cash equivalents.

Cash and cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial liabilities

Financial payables are initially recognized at cost, corresponding to fair value of the liability, less any transaction costs directly attributable to the issue of the liability itself. Subsequent to initial recognition, financial liabilities are valued on the basis of "amortized cost", using the effective interest method.

Derivatives

Derivatives are used solely for hedging purposes, in order to reduce exposures to currency and interest rate risk. As allowed by IAS 39, derivatives may qualify for special hedge accounting only when, at the inception of the hedge, the following conditions are satisfied:

- there is a formal designation that the instrument is a hedging one;
- there is formal documentation of the hedging relationship, which is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is highly effective throughout the different financial reporting periods for which it was designated.

IAS 39 requires that all derivatives be measured at fair value.
If financial instruments qualify for hedge accounting, the following treatment applies:

Fair value hedge – If a derivative instrument is designated as a hedge of the exposure to changes in the fair value of a recognized asset or liability that is attributable to a particular risk that will affect net profit, the gain or loss from remeasuring the hedging instrument at fair value should be recognized in the income statement. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in the income statement.

Cash flow hedge – If a derivative instrument is designated as a hedge of the exposure to variability in cash flows attributable to a highly probable forecast transaction which will affect net profit or loss, the effective portion of the gains or losses on the hedging instrument is recognized directly in equity. The effective portion of the cumulative gains or losses is reversed from equity and charged to net profit or loss in the same period in which the hedged transaction is reported in the income statement. Gains or losses associated with a hedge or part thereof that has become ineffective are reported in the income statement. If a hedging instrument or hedging relationship is terminated, but the transaction being hedged has not yet occurred, the cumulative gains and losses, recorded up until then in equity, are reported in the income statement at the same time as the hedged transaction occurs. If the hedged transaction is no longer expected to occur, the unrealized gains or losses reported directly in equity are immediately released to the income statement. If hedge accounting cannot be applied, the gains or losses arising from the fair value measurement of the derivatives are booked immediately to the income statement.

Employee benefits

Net obligations relating to employee benefit plans, chiefly the provision for severance indemnities and pension funds, are recorded at the expected future value of the benefits that will be received and which have accrued at the balance sheet date. The group's obligation to finance the defined benefit pension funds and the annual cost reported in the income statement are determined by independent actuaries using the projected unit credit method. The portion of the cumulative net value of the actuarial gains and losses which exceeds the greater of 10% of the present value of the obligation and 10% of the fair value of any plan assets at the end of the prior year is amortized over the average remaining working lives of the employees concerned ("corridor approach").

Law 296 of 27 December 2006 (the "2007 Finance Act") and subsequent decrees and regulations have introduced major changes as from 1 January 2007 to the rules on severance indemnity, including the requirement for employees to choose how their severance indemnity accruing as from the start of this year should be treated. More specifically, employees may opt to have new severance indemnities paid into selected pension funds or retained in the company (in which case, Italian group companies with more than fifty employees will pay them over to a special account opened with the Italian social security authorities (*INPS*).

Based on the actuarial assessment and interpretations available at the date of preparing this half-year report, the group has made the following distinction:

- *Severance indemnity accruing from 1 January 2007*: this is a "Defined Contribution Plan" both in the case of opting for payment into a supplementary pension fund and in the case of paying it into the special account with *INPS*. The accounting treatment is therefore the same as that applying to other kinds of contributory payment.
- *Severance indemnity accrued up to 31 December 2006*: this continues to be a "Defined Benefit Plan" with the consequent need to carry out actuarial calculations, which unlike those carried out until now (and reflected in the financial statements for the year ended 31 December 2006) exclude the component relating to future salary increases. The difference arising from the new calculation has been treated like a curtailment, as defined in paragraph 109 et seq of IAS 19, and accordingly recognized in the first-half income statement for 2007 as non-recurring income (including the portion of actuarial gains and losses previously not recognized in application of the corridor method).

This amount has been estimated on the basis of currently available information, which is still incomplete; furthermore, the competent bodies have not yet defined the method of recognizing and calculating the curtailment; as a result, this estimate could be revised when preparing the annual financial statements.

Provisions for contingencies and other charges

The group recognizes provisions for contingencies and charges when (i) it has a present obligation (legal or constructive) to third parties (ii) it is probable that the group will need to employ resources to settle the obligation and (iii) a reliable estimate can be made of the amount of the obligation. Changes in these estimates are reflected in the income statement in the period in which they occur. If this obligation is estimated to extend beyond one year, it must be discounted to its present value.

Revenue recognition

Revenues are recognized to the extent that it is probable that the economic rewards will flow to the group and their amount can be measured reliably, in other words when the principal risks and rewards of ownership of the goods have been transferred to the buyer. Revenues are reported net of discounts, allowances and returns, including those estimated on the basis of historic trends.
Revenues from services are recognized when the service is rendered.

Taxes

Income taxes include all the taxes calculated on the group's taxable income. Income taxes are recorded in the income statement, except for those relating to items directly debited or credited to equity, in which case the associated tax is recognized directly in equity.

Deferred taxes are provided on the basis of global provision for the liability. They are calculated on all the temporary differences emerging between the tax base of an asset or liability and their book value in the consolidated financial statements, except for goodwill for which amortization is not deductible for tax purposes and those differences arising from investments which are not expected to reverse in the foreseeable future. Deferred tax assets on the carryforward of unused tax losses and tax credits are recognized to the extent that it is probable that future taxable profit will be available against which these can be recovered. Current and deferred tax assets and liabilities may be offset when the income taxes are charged by the same tax authority and when there is a legal right of offset. Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability settled, based on tax rates and laws applying in the countries where the group operates. Deferred taxes on reserves of distributable earnings in subsidiaries are recognized only if it is probable they will be distributed.

Dividends

Dividends paid by the group to third parties represent a movement in equity in the period in which they are declared by the shareholders in general meeting.

Earnings per share

Basic earnings per share are calculated by dividing the profit or loss pertaining to the group attributable to ordinary shares by the weighted average number of ordinary shares outstanding during the period.

Estimates and assumptions

This report, prepared in accordance with IFRS, contains estimates and assumptions made by the group relating to assets and liabilities at the half-year reporting date. The assumptions relating to these estimates are periodically reviewed and the related effects reflected in the income statement in the same period. Estimates are used for determining amortization and depreciation and provisions for doubtful accounts and for obsolete and slow-moving inventories, for recognizing the impairment of assets, for recognizing employee benefits and provisions for restructuring and taxation.

New accounting standards

No new accounting standards or interpretations have been issued or old ones amended, applicable as from 1 January 2007, that have a material effect on the half-year report.

Comments on the income statement

1. Revenues

Revenues, comprising revenues from sales and services and other operating income and revenues, are broken down as follows:

Revenues by business segment:

	30.06.2007	30.06.2006	Change	% change
Household	449,235	438,776	10,459	2.4%
Professional	203,484	145,048	58,436	40.3%
Intersegment transactions	(16,185)	(7,650)	(8,535)	
Total	**636,534**	**576,174**	**60,360**	**10.5%**

Revenues by geographical area:

	30.06.2007	30.06.2006	Change	% change
Italy	163,485	146,251	17,234	11.8%
United Kingdom	67,245	63,561	3,684	5.8%
Rest of Europe	263,439	218,383	45,056	20.6%
United States, Canada and Mexico	43,146	42,518	628	1.5%
Rest of the world	99,219	105,461	(6,242)	(5.9%)
Total	**636,534**	**576,174**	**60,360**	**10.5%**

The related trends are discussed in the report on operations.

“Other operating income and revenues” are broken down as follows:

	30.06.2007	30.06.2006	Change
Freight reimbursement	3,793	4,160	(367)
Commercial rights	1,404	1,192	212
Out-of-period gains	2,223	2,942	(719)
Damages reimbursed	503	129	374
Operating grants	-	827	(827)
Other income	5,530	4,618	912
Total	**13,453**	**13,868**	**(415)**

2. Raw and ancillary materials, consumables and goods

These are broken down as follows:

	30.06.2007	30.06.2006	Change
Raw materials	121,106	101,617	19,489
Parts	110,723	100,098	10,625
Finished products	164,358	149,539	14,819
Other purchases	7,140	4,453	2,687
Total	**403,327**	**355,707**	**47,620**

The figure for 2006 differs from the previously published one after reclassifying €1,050 thousand to "services and other operating expenses" for the purpose of consistent comparison with 2007.

3. Change in inventories

The breakdown is as follows:

	30.06.2007	30.06.2006	Change
Change in inventories of finished products and work in progress	55,647	54,266	1,381
Change in inventories of raw and ancillary materials, consumables and goods	23,969	11,934	12,035

4. Payroll costs

The breakdown is as follows:

	30.06.2007	30.06.2006	Change
Employee wages and salaries	81,494	81,329	165
Temporary workers	3,373	3,123	250
Total	**84,867**	**84,452**	**415**

The figures relating to the cost of benefit plans provided by certain group companies in Italy and abroad are reported in the note on provisions.

5. Services and other operating expenses

These are detailed as follows:

	30.06.2007	30.06.2006	Change
Transport (for purchases and sales)	35,531	34,277	1,254
Advertising	11,916	11,180	736
Promotional expenses	20,689	18,673	2,016
Subcontracted work	7,982	10,689	(2,707)
Commissions	13,503	10,828	2,675
Technical support	6,637	6,978	(341)
Travel	6,806	6,824	(18)
Insurance	2,234	2,118	116
Storage and warehousing	8,979	8,070	909
Consulting services	6,350	5,262	1,088
Power	4,842	4,992	(150)
Postage, telegraph and telephones	2,351	2,288	63
Maintenance	2,073	2,068	5
Other services	11,501	12,075	(574)
Rentals and leasing	10,277	11,229	(952)
Total services	**151,671**	**147,551**	**4,120**
Out-of-period losses	1,315	993	322
Sundry taxes	9,325	7,428	1,897
Bad debts	44	11	33
Other	2,109	1,811	298
Total other operating expenses	**12,793**	**10,243**	**2,550**
Total services and other operating expenses	**164,464**	**157,794**	**6,670**

“Rentals and leasing” at 30 June 2007 consist of premises rental (€7,876 thousand), operating lease payments (€492 thousand), royalties (€592 thousand) and equipment hire (€1,317 thousand).

The figure for 2006 differs from the previously published one after reclassifying €1,050 thousand from “raw and ancillary materials, consumables and goods” for the purpose of consistent comparison with 2007.

6. Contingency and other provisions

These include €4,581 thousand in increases in provisions for contingencies and charges (exclusive of €1,899 thousand reclassified to non-recurring costs) as discussed in note 30. *Non-current provisions for contingencies* and other charges. This amount also includes €1,108 thousand in increases to the provision for doubtful accounts (exclusive of €770 thousand reclassified to non-recurring costs), €130 thousand in increases to the defined benefit plan of the subsidiary DL Japan Corp. and €187 thousand for writing down the cost of certain intangible assets (mainly development costs capitalized in the past for projects that are not yet complete).

7. Other non-recurring income (expenses)

These mainly consist of income (expenses) recognized in the period in relation to non-recurring events or prior periods.

The breakdown is as follows:

	30.06.2007	30.06.2006	Change
Non-recurring expenses relating to inventories destroyed (*)	(17,094)	-	(17,094)
Capital losses on property, plant and equipment	(19,304)	-	(19,304)
Other costs relating to the fire	(6,010)	-	(6,010)
Insurance reimbursements	37,077	-	37,077
Total net non-recurring expenses relating to the fire	**(5,331)**	**-**	**(5,331)**
Non-recurring income (Law 296 of 27.12.2006)	2,228	-	2,228
Other non-recurring income (expenses)	(2,604)	2,390	(4,994)
Total non-recurring income (expenses)	**(5,707)**	**2,390**	**(8,097)**

(*) these expenses do not include samples, prototypes and uncoded consumables, which were already expensed to income for the period and which were physically present in inventories at the time of the fire.

The "Net non-recurring expenses relating to the fire" refer to the estimated costs of the fire at the factory in Treviso on 18 April 2007, net of related insurance receipts. The expenses relate to the losses arising on the destruction of property, plant and equipment (buildings and plant), the destruction of inventories and to the costs directly related to the fire. The "Insurance reimbursements" relate to the reimbursement for damages, under the terms and conditions of current insurance policies. This amount, which includes €15,000 thousand in advances already paid against the claim by Assicurazioni Generali, is not final because it does not take account of the right to receive additional compensation on top of the book value of the assets destroyed or the entitlement to reimbursement for indirect expenses, which will be recognized when the claim is finally settled.

"Non-recurring income" of €2,228 thousand is the result of applying Law 296 of 27 December 2006 ("2007 Finance Act") and subsequent decrees and regulations on the treatment of severance indemnity. More details can be found in note *29.Employee benefits*.

8. Amortization and depreciation

These charges comprise:

	30.06.2007	30.06.2006	Change
Amortization of intangible assets	5,543	5,832	(289)
Depreciation of property, plant and equipment	13,544	13,283	261
Total amortization and depreciation	**19,087**	**19,115**	**(28)**

More details on amortization and depreciation can be found in the tables reporting movements in intangible assets and property, plant and equipment.

9. Financial income (expenses)

Net financial income and expenses are broken down as follows:

	30.06.2007	30.06.2006	Change
Net capital gain on sale of Elba S.p.A.	-	26,430	(26,430)
Effect of deconsolidating Marka Finance	-	(1,501)	1,501
Other income from equity investments	2	12	(10)
Financial income (expenses) from equity investments	**2**	**24,941**	**(24,939)**
Exchange gains (losses)	**128**	**(860)**	**988**
Extraordinary financial expenses for without-recourse factoring of receivables	**(1,278)**	**-**	**(1,278)**
Interest expense and other bank charges	(15,670)	(15,727)	57
Financial discounts	(4,250)	(4,365)	115
Other financial income (expenses)	(2,067)	(1,550)	(517)
Other net financial income (expenses)	**(21,987)**	**(21,642)**	**(345)**
Total financial income (expenses)	**(23,135)**	**2,439**	**(25,574)**

“Interest expense and other bank charges” include not only bank interest on the group’s financial debt but also the cost of factoring receivables without recourse and of leases, as well as adjustments arising under IAS to calculate the amortized cost of bank loans and borrowings and the forward component of currency hedging instruments.

10. Taxes

These are made up as follows:

	30.06.2007	30.06.2006	Change
Current income taxes	(11,787)	(2,835)	(8,952)
Deferred income taxes	5,886	2,688	3,198
Total	**(5,901)**	**(147)**	**(5,754)**

“Current income taxes” comprise €8,733 thousand in corporate income tax and €3,054 thousand in *IRAP* (Italy’s regional business tax).

“Deferred income taxes” include the taxes calculated on the temporary differences arising between the accounting values of assets and liabilities and the corresponding tax base (particularly for taxed provisions set aside by the parent company and subsidiaries). They also include the benefit arising from the carryforward of unused tax losses which are reasonably certain to be used in the future.

The effective tax rate of 61.7% is heavily affected by *IRAP* (32%), reflecting the seasonal nature of the group’s business whereby first-half profit is proportionately lower than that for the whole year.

Comments on the balance sheet: assets
Non-current assets
11. Goodwill

	30.06.2007		31.12.2006		
	Gross	Net	Gross	Net	Change
Goodwill	252,028	223,701	252,006	223,679	22

Goodwill is not amortized since it is considered to have an indefinite useful life. Instead, it is tested for impairment at least once a year to identify any evidence of loss in value.
The objective of the test is to determine the value in use of the cash generating units (CGU) to which the goodwill refers, meaning the present value of the future cash flows expected to be derived from the ongoing use of the assets; any cash flows arising from extraordinary events are therefore ignored.
The De'Longhi Group has two principal business segments: the *Household* and *Professional* divisions. These segments represent the main way in which the group is analyzed, both for management reporting purposes and for the disclosure of segment information in its financial reports.
Three CGUs have been identified within each segment, making a total of six CGUs at a consolidated level. Individual companies are generally attributable to a specific CGU, meaning that CGU results and balance sheets can be derived by subconsolidating the legal entities concerned. The results of some companies, however, are attributable to several CGUs: in this case their results and balance sheets are split by business unit, each one of which is allocated to the CGU concerned.
Most of the group's goodwill (accounting for 84% of the total) refers to the *Professional* division.
The main assumptions adopted for the test performed at 31 December 2006 relate to the discount and growth rates, which are also based on the group's plans and budgets. The discount rate used of 6.8% reflects current market assessments of the time value of money and takes account of the risks specific to the individual cash generating units.
The cash flows discounted to present value do not include tax receipts or payments (in keeping with the discount rate which is a pre-tax one).
The impairment test carried out at the end of 2006 did not reveal any significant evidence that goodwill might have suffered an impairment loss. No events of significance have occurred in the first half of 2007 such as might suggest that the carrying amounts of goodwill have suffered any impairment loss.

12. Other intangible assets

The breakdown is as follows:

	30.06.2007		31.12.2006		
	Gross	**Net**	**Gross**	**Net**	**Change**
New product development costs	28,084	11,718	25,875	11,756	(38)
Patents	26,513	3,565	25,921	3,669	(104)
Trademarks and similar rights	218,776	163,339	218,766	165,339	(2,000)
Work in progress and advances	9,990	9,700	8,282	7,992	1,708
Other	14,785	946	14,972	1,723	(777)
Total	**298,148**	**189,268**	**293,816**	**190,479**	**(1,211)**

The following table reports movements in the main asset categories during the first half of 2007:

	New product development costs	Patents	Trademarks and similar rights	Work in progress and advances	Other	Total
Net opening balance	**11,756**	**3,669**	**165,339**	**7,992**	**1,723**	**190,479**
Additions	1,394	600	10	2,720	176	4,900
Amortization	(2,247)	(696)	(2,010)	-	(590)	(5,543)
Translation difference	(9)	3	-	-	(10)	(16)
Other movements (*)	824	(11)	-	(1,012)	(353)	(552)
Net closing balance	**11,718**	**3,565**	**163,339**	**9,700**	**946**	**189,268**

(*) The amounts reported as “Other movements” mostly refer to reclassifications and the writedown of certain intangible assets.

With reference to “New product development costs”, which report an increase of €1,394 thousand, these costs have been capitalized by virtue of their estimated future utility, based on detailed reporting and analysis of the costs incurred. The change in “Work in progress and advances” also refers to newly capitalized development costs for projects that had not been completed at the balance sheet date.

“Patents” mostly refer to internal development costs and the subsequent cost of filing for patents and to costs for developing and integrating data processing systems.

“Trademarks and similar rights” include trademarks viewed as having an indefinite useful life under the criteria specified in IAS 38. The review of the De’Longhi and Climaveneta trademarks carried out upon IFRS transition supported the thesis that they have indefinite useful lives. This conclusion was based on their brand notoriety, their economic performance, the characteristics of their particular markets, the specific brand strategies and the level of investment in brand support.

The impairment test carried out at the end of 2006 on the basis of discount rates reflecting current market assessments of the time value of money and the risks specific to the individual cash generating units, did not reveal any significant evidence that these assets might have suffered an impairment loss. No events of significance have occurred in the first half of 2007 such as might suggest that the carrying amounts of trademarks have suffered any impairment loss.

13. Land, property, plant and machinery

These are detailed as follows:

	30.06.2007		31.12.2006		
	Gross	Net	Gross	Net	Change
Land and buildings	147,091	135,922	162,072	147,496	(11,574)
Plant and machinery	189,383	65,029	205,089	66,026	(997)
Total	**336,474**	**200,951**	**367,161**	**213,522**	**(12,571)**

The following table reports movements during the first half of 2007:

	Land and buildings	Plant and machinery	Total
Net opening balance	**147,496**	**66,026**	**213,522**
Additions (*)	1,887	10,309	12,196
Disposals	(54)	(1,428)	(1,482)
Depreciation	(1,827)	(3,638)	(5,465)
Translation difference	(64)	(143)	(207)
Capital losses (**)	(11,778)	(6,169)	(17,947)
Other movements	262	72	334
Net closing balance	**135,922**	**65,029**	**200,951**

(*) Also include the investments for replacing the assets burned in the fire.
(**) “Capital losses” refer to the writedown of the net book value of property, plant and equipment destroyed in the fire.

The balance of property, plant and equipment includes the following assets purchased under finance lease (reported at their net book value):

	30.06.2007	31.12.2006	Change
Buildings	12,873	11,984	889
Plant and equipment	11,496	13,311	(1,815)
Other	49	148	(99)
Total	**24,418**	**25,443**	**(1,025)**

14. Other tangible assets

Details of other tangible assets are as follows:

	30.06.2007		31.12.2006		
	Gross	Net	Gross	Net	Change
Industrial and commercial equipment	161,276	25,078	165,073	26,440	(1,362)
Other	40,872	12,181	40,565	11,770	411
Work in progress and advances	5,322	5,322	3,451	3,451	1,871
Total	**207,470**	**42,581**	**209,089**	**41,661**	**920**

The following table reports movements during the first half of 2007:

	Industrial and commercial equipment	Other	Work in progress and advances	Total
Net opening balance	**26,440**	**11,770**	**3,451**	**41,661**
Additions (*)	6,319	2,645	2,495	11,459
Disposals	(20)	(96)	(474)	(590)
Depreciation	(6,389)	(1,690)	-	(8,079)
Translation difference	(15)	19	(25)	(21)
Capital losses (**)	(923)	(434)	-	(1,357)
Other movements	(334)	(33)	(125)	(492)
Net closing balance	**25,078**	**12,181**	**5,322**	**42,581**

(*) Also include the investments for replacing the assets burned in the fire.
(**) “Capital losses” refer to the writedown of the net book value of property, plant and equipment destroyed in the fire.

The additions to “Industrial and commercial equipment” mostly refer to the purchase of moulds for manufacturing new products.

15. Equity investments

	30.06.2007	31.12.2006	Change
Associated companies	6,607	6,476	131
Other companies	731	731	-
Total equity investments	**7,338**	**7,207**	**131**

Details of the carrying value of the associated companies, reported under the equity method, are as follows:

	30.06.2007	31.12.2006	Change
Associated companies:			
Top Clima S.A.	3,980	3,847	133
Emer S.p.A.	2,627	2,629	(2)
Total associated companies	**6,607**	**6,476**	**131**

16. Other non-current receivables

The balance at 30 June 2007 includes €1,589 thousand in security deposits (€1,036 thousand at 31 December 2006), €501 thousand for a five-year loan to the minority shareholder in the Chinese subsidiary Promised Success Ltd (€550 thousand at 31 December 2006) and €4 thousand in other non-current receivables (€24 thousand at 31 December 2006).

17. Other non-current securities

The balance relates to the 2006-2011 bond issued by Edifriuli S.p.A. subscribed by DL Radiators S.p.A., carrying floating rate annual interest corresponding to the European Central Bank's rate plus two-thirds.

18. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are detailed as follows at 30 June 2007:

	30.06.2007	31.12.2006	Change
Deferred tax assets	43,911	41,332	2,579
Deferred tax liabilities	(21,860)	(20,461)	(1,399)
Net asset balance	**22,051**	**20,871**	**1,180**

"Deferred tax assets" and "Deferred tax liabilities" include the taxes calculated on temporary differences between the carrying amount of assets and liabilities and their corresponding tax base (particularly taxed provisions set aside by the parent company and subsidiaries) and the tax effects associated with the allocation of higher values to fixed assets as a result of allocating goodwill arising on consolidation. They also include the benefit arising from the carryforward of unused tax losses which are likely to be used in the future.

Details of the net balance are as follows:

	30.06.2007	31.12.2006	Change
- Temporary differences (net)	4,691	1,652	3,039
- Tax losses	17,360	19,219	(1,859)
Net asset balance	**22,051**	**20,871**	**1,180**

Current assets

19. Inventories

This balance, shown net of the provision for obsolete and slow-moving goods, can be broken down as follows:

	30.06.2007	31.12.2006	Change
Raw, ancillary and consumable materials	79,549	69,211	10,338
Work in progress and semi-finished products	27,503	26,142	1,361
Finished products and goods	277,255	228,150	49,105
Advances	210	230	(20)
Total	**384,517**	**323,733**	**60,784**

The value of inventories is adjusted by a provision for obsolete or slow-moving goods totalling €24,677 thousand (€24,081 thousand at 31 December 2006), in relation to products and raw materials no longer deemed to be of strategic interest.

If inventories had been valued on a current cost basis the valuation would not have been significantly different.

The change in the balance since 31 December 2006 reflects the writedown of €17,094 thousand for the inventories destroyed in the fire on 18 April 2007. These inventories had been partially replaced by the close of the half year.

20. Trade receivables

These are made up as follows:

	30.06.2007	31.12.2006	Change
Trade receivables			
- due within 12 months	345,006	362,089	(17,083)
- due beyond 12 months	20	-	20
Provision for doubtful accounts	(15,127)	(14,075)	(1,052)
Total	**329,899**	**348,014**	**(18,115)**

In accordance with the disclosure required by *CONSOB* Circular 3369 of 9 April 1997, we report that the total amount of receivables factored without recourse by the parent company and its subsidiaries (under Law 52/1991 known as the Factoring Law) in the period from January to the end of June 2007 was €125,413 thousand. Trade receivables are stated net of a provision for doubtful accounts of €15,127 thousand, representing a reasonable estimate of the expected risk at the half-year reporting date. Provisions are made against a number of disputed receivables or those whose collection is otherwise in doubt, taking account of the fact that a significant proportion of the receivables are covered by insurance policies with major insurers.

Movements in the provision for doubtful accounts are shown in the following table:

	31.12.2006	Increases	Utilization	Translation difference and other movements	30.06.2007
Provision for doubtful accounts	14,075	1,878	(708)	(118)	15,127

The group has received €1,612 thousand in customer guarantees (mainly in the form of sureties) against commercial transactions.

Trade receivables are broken down by geographical area as follows:

Geographical area	30.06.2007	%	31.12.2006	%
Italy	108,109	32.8%	93,284	26.8%
United Kingdom	30,084	9.1%	32,464	9.3%
Rest of Europe	123,514	37.4%	133,130	38.3%
United States, Canada, Mexico	18,519	5.6%	16,286	4.7%
Rest of the world	49,673	15.1%	72,850	20.9%
Total	**329,899**	**100.0%**	**348,014**	**100.0%**

21. Current tax assets

Current tax assets" are detailed below:

	30.06.2007	31.12.2006	Change
VAT	18,096	11,502	6,594
Tax payments on account	4,031	4,907	(876)
Direct taxes	1,724	1,551	173
Tax refunds requested	2,322	2,517	(195)
Other tax receivables	55	53	2
Total current tax assets	**26,228**	**20,530**	**5,698**

VAT is reporting a temporary increase at 30 June 2007. Measures have already been taken in the second half of 2007 that should result in a significant reduction in this balance by the end of the year.
The amount of current tax assets due beyond 12 months is €383 thousand (€382 thousand at 31 December 2006).

22. Other receivables

"Other receivables" are broken down as follows:

	30.06.2007	31.12.2006	Change
Advances to suppliers	4,992	4,871	121
Factors	768	75	693
Employees	367	412	(45)
Advertising and insurance costs	323	877	(554)
Other	30,594	12,630	17,964
Total other receivables	**37,044**	**18,865**	**18,179**

"Other receivables" at 30 June 2007 include €22,077 thousand in insurance reimbursements receivable after the fire. This receivable, stated net of the €15,000 thousand advanced by Assicurazioni Generali against the claim, does not include the right to receive additional compensation on top of the book value of the assets destroyed or the entitlement to reimbursement for indirect expenses (amongst which the loss of earnings from the sale of material destroyed in the fire), which will be recognized when the claim is finally settled.

23. Current financial receivables and assets

"Current financial receivables and assets" are analyzed as follows:

	30.06.2007	31.12.2006	Change
Other financial receivables	5,389	975	4,414
Other securities	0	19	(19)
Total current financial receivables and assets	**5,389**	**994**	**4,395**

The increase in other financial receivables is mainly due to amounts not yet transferred by BNP Paribas for receipts pertaining to group companies.

24. Cash and cash equivalents

This balance consists of surplus liquidity on bank current accounts, mostly relating to customer payments received at period end.

Some of the group's foreign companies have a total of €70.5 million in cash on current accounts held at the same bank. These cash balances form part of the international cash pooling system and are partially offset by €69.0 million in overdrafts held by certain other foreign companies with the same bank. This bank therefore acts as a "clearing house" for the group's positive and negative cash balances. Considering the substance of the transactions and technical workings of the international cash pooling system, the positive and negative cash balances have been netted against one another in the consolidated balance sheet, as allowed by IAS 32. The bank in question has been given a lien over all the cash balances within the international cash pooling system in respect of this service. Current accounts totalling €736 thousand carry restrictions at 30 June 2007.

Comments on the balance sheet: net equity and liabilities
Net equity

"Net equity" is made up as follows:

	30.06.2007	31.12.2006	Change
Group portion	608,464	615,568	(7,104)
Minority interests	5,339	5,037	302
Total net equity	**613,803**	**620,605**	**(6,802)**

The annual general meeting (AGM) held on 18 April 2007 declared a dividend totalling €8,970 thousand, which was paid in May 2007.

Movements in the equity accounts are reported in one of the earlier schedules accompanying the financial statements; below are comments on the main components and their changes.

25. Share capital

Share capital is made up of 149,500,000 ordinary shares of par value €3.00 each, for a total of €448,500 thousand.

26. Reserves

These are broken down as follows:

	30.06.2007	31.12.2006	Change
Share premium reserve	325	325	0
Legal reserve	6,285	5,593	692
Other reserves			
- Extraordinary reserve	48,376	44,192	4,184
- Fair value and cash flow hedge reserve	(1,605)	(1,525)	(80)
- Profit (loss) carried forward	103,060	78,707	24,353
Total reserves	**156,441**	**127,292**	**29,149**

The "Share premium reserve" was set up following the public offering accompanying the parent company's flotation on the Milan stock exchange on 23 July 2001. The residual amount of this reserve is €325 thousand.

The "Legal reserve" had a balance of €5,593 thousand at 31 December 2006. The intervening increase of €692 thousand is due to the allocation of the parent company's profit for 2006, as approved by the above AGM.

The "Extraordinary reserve" is €4,184 thousand higher than at 31 December 2006 due to the parent company's allocation of profit for 2006, as approved by the above AGM.

The “Fair value and cash flow hedge” reserve is stated net of €736 thousand in tax. This reserve has been recognized under IAS 39, adopted with effect from 1 January 2005, and includes the effective portion of net gains and losses on financial instruments designated as cash flow hedges. This reserve also includes the net result of measuring “available for sale” financial assets at fair value. The reduction of €80 thousand in the fair value and cash flow hedge reserve during the first half of 2007 reflects the post-tax effect of valuing cash flow hedges.

Minority interests in net equity amount to €5,339 thousand. The interests held by minority interests and their corresponding share of net equity and first-half results at 30 June 2007 are summarized below:

Company	**% interest**	**Net equity**	**1st half profit (loss)**
E-Services S.r.l.	49%	1,039	(47)
Promised Success Ltd. – On Shiu (Zhongshan) Electrical Appliance Company Ltd.	33%	1,234	-
De’Longhi Bosphorus Ev Aleteri Ticaret Anonim Sirketi	30%	153	(56)
RC Group	16.7%	2,905	286
Zass Alabuga LLC	7.2%	8	(50)
Total		**5,339**	**133**

Below is a brief reconciliation between the net equity and first-half profit reported by the parent company, De’Longhi S.p.A., and the first-half figures shown in the consolidated financial statements:

	Net equity	**1st half profit (loss)**	**Net equity**	**Profit (loss) for the year**
	30.06.2007	**at 30.06.2007**	**31.12.2006**	**at 31.12.2006**
De’Longhi S.p.A. financial statements	**504,254**	**(11,920)**	**525,189**	**13,846**
Share of subsidiaries’ equity and results for period attributable to the group, after deducting carrying value of the investments	29,940	24,553	9,167	62,475
Adjustment to income from equity investments	-	(2,626)	-	(36,067)
Allocation of goodwill arising on consolidation and related amortization and reversal of goodwill recognized for statutory purposes	117,766	(1,066)	119,562	(1,816)
Elimination of intercompany profits	(29,723)	(3,964)	(26,265)	6,055
Other adjustments	(8,434)	(1,321)	(7,048)	(4,047)
Group portion	**613,803**	**3,656**	**620,605**	**40,446**
Minority interests	(5,339)	(133)	(5,037)	(670)
Consolidated financial statements	**608,464**	**3,523**	**615,568**	**39,776**

Non-current liabilities

27. Bank loans and borrowings

Bank loans and borrowings (including the current portion) are analyzed as follows:

	Within one year	One to five years	Beyond five years	Balance 30.06.2007	Balance 31.12.2006	Change
Overdrafts	66,138			66,138	16,174	49,964
Short-term loans in euro or foreign currency	143,465			143,465	87,370	56,095
Long-term loans (current portion)	54,049			54,049	100,354	(46,305)
Total short-term bank loans and borrowings	**263,652**	**-**	**-**	**263,652**	**203,898**	**59,754**
Long-term loans		149,539	16,239	165,778	191,919	(26,141)
Total bank loans and borrowings	**263,652**	**149,539**	**16,239**	**429,430**	**395,817**	**33,613**

Long-term loans comprise the following:

Loans (including short-term portion)	Balance 30.06.2007	Balance 31.12.2006
Loan from Intesa-San Paolo	-	60,655
Loans from Banca Popolare di Verona e Novara	103,583	112,137
Loan from BNP Paribas	101,221	100,868
Loan from Mediocredito del Friuli Venezia Giulia	1,369	2,016
Loan from Banca di Roma	1,549	2,045
Loan from Banca Popolare di Sondrio	1,651	2,452
Loan from Banca Popolare Commercio e Industria	2,302	2,781
Loan from Cariparma	263	783
Loan from Unicredit	2,025	2,318
Loan from IMI (Law 46)	2,074	2,278
Other minor loans	3,790	3,940
Total long-term loans	**219,827**	**292,273**

During the first half of 2007, the balance of €60 million outstanding at 31 December 2006 against the syndicated loan arranged by Intesa San Paolo was repaid in full without any penalties in advance of its natural maturity of March 2008 since its cost was no longer viewed as economic.

The syndicated loan arranged by BNP Paribas calls for the observance of financial covenants on a six-monthly basis. These covenants were observed at 30 June 2007.
The other loans do not call for the observance of financial covenants.

28. Other financial payables

This balance, inclusive of the current portion, is made up as follows:

	Balance 30.06.2007	Balance 31.12.2006	Change
Payables to lease companies (short-term portion)	3,623	3,512	111
Ministry of Industry loans (short-term portion)	696	835	(139)
Payables for the purchase of equity investments	6,200	6,200	-
Other short-term financial payables	10,193	7,530	2,663
Total short-term payables	**20,712**	**18,077**	**2,635**
Payables to lease companies (long-term portion)	12,927	13,950	(1,023)
Ministry of Industry loans (long-term portion)	3,256	3,779	(523)
Total long-term payables	**16,183**	**17,729**	**(1,546)**
Total other financial payables	**36,895**	**35,806**	**1,089**

This balance mostly refers to finance leases of €16,550 thousand (€17,462 thousand at 31 December 2006) and low-interest loans from the Ministry of Industry of €3,952 thousand (€4,614 thousand at 31 December 2006). “Payables for the purchase of equity investments” include the remaining purchase price of the RC Group, acquired in October 2006, which will be paid during the second half of 2007.

Net financial position

Details of the net financial position are as follows:

	Balance 30.06.2007	Balance 31.12.2006	Change
A. Cash	313	1,034	(721)
B. Cash equivalents	76,491	111,918	(35,427)
C. Securities	-	19	(19)
D. Total liquidity (A+B+C)	**76,804**	**112,971**	**(36,167)**
E 1. Current financial receivables	**5,389**	**975**	**4,414**
E 2. Non-current financial receivables and other securities (*)	**3,005**	**3,074**	**(69)**
F. Current bank loans and borrowings	(209,603)	(103,545)	(106,058)
G. Current portion of non-current debt	(54,049)	(100,354)	46,305
H. Other current financial payables	(20,712)	(18,077)	(2,635)
I. Current financial debt (F+G+H)	**(284,364)**	**(221,976)**	**(62,388)**
J. Net current financial debt (I+E1+E2+D)	**(199,166)**	**(104,956)**	**(94,210)**
K. Non-current bank loans and borrowings	(165,778)	(191,919)	26,141
L. Bonds	-	-	-
M. Other non-current payables	(16,183)	(17,729)	1,546
N. Non-current financial debt (K+L+M)	**(181,961)**	**(209,648)**	**27,687**
Total	**(381,127)**	**(314,604)**	**(66,523)**

(*) This amount differs from that reported in the balance sheet because the balance sheet amount also includes non-financial receivables of €1,589 thousand at 30 June 2007 and €1,036 thousand at 31 December 2006.

For a better understanding of changes in the group's net financial position, please refer to the complete consolidated cash flow statement and the summary table in the report on operations.

29. Employee benefits

These are made up as follows:

	30.06.2007	31.12.2006	Change
Provision for severance indemnities	22,511	26,326	(3,815)
Other employee benefits	14,049	15,683	(1,634)
Total employee benefits	**36,560**	**42,009**	**(5,449)**

Provision for severance indemnities

Movements in the period are summarized below:

Severance indemnity obligations	30.06.2007	31.12.2006	Change
Defined benefit obligations	22,511	26,326	(3,815)

Net cost charged to income	30.06.2007	31.12.2006	Change
Current service cost	2,014	3,542	(1,528)
Application of new law	(2,228)	-	(2,228)
Interest cost on obligations	449	879	(430)
Total	**235**	**4,421**	**(4,186)**

Change in present value of obligations	30.06.2007	31.12.2006	Change
Present value at 1 January	**26,326**	**25,551**	**775**
Current service cost	2,014	3,542	(1,528)
Utilization of provision	(3,733)	(3,742)	9
Interest cost on obligations	449	879	(430)
Application of new law	(2,228)	-	(2,228)
First-time consolidation	-	3,048	(3,048)
Deconsolidation	-	(2,781)	2,781
Other changes	(317)	(171)	(146)
Present value at 30 June 2007	**22,511**	**26,326**	**(3,815)**

In view of the revisions introduced by Law 296 of 27 December 2006 ("2007 Finance Act") and the subsequent decrees and regulations governing severance indemnity, already described in the section on accounting policies, the group has made the following distinction based on the actuarial assessment and interpretations available at the date of preparing this half-year report:

- Severance indemnity accruing from 1 January 2007: this is a "Defined Contribution Plan" both in the case of opting for payment into a supplementary pension fund and in the case of paying it into the special account with *INPS*. The accounting treatment is therefore the same as that applying to other kinds of contributory payment.
- Severance indemnity accrued up to 31 December 2006: this continues to be a "Defined Benefit Plan" with the consequent need to carry out actuarial calculations, which unlike those carried out until now (and reflected in the financial statements for the year ended 31 December 2006) exclude the component relating to future salary increases. The difference arising from the new calculation has been treated like a curtailment, as defined in paragraph 109 et seq of IAS 19, and accordingly recognized in the first-half income statement for 2007 as non-recurring income (including the portion of actuarial gains and losses previously not recognized in application of the corridor method).

The impact of this new legislation, reported as non-recurring income of €2,228 thousand, has been estimated on the basis of information available for the group's principal companies, which is still incomplete; furthermore, the competent bodies have not yet defined the method of recognizing and calculating the curtailment; as a result, this estimate could be revised when preparing the annual financial statements.

Other employee benefits

Some of the group's foreign companies provide defined benefit plans for their employees, some of which have assets servicing them.
These plans are valued on an actuarial basis to express the present value of the benefit payable at the end of service that employees have accrued at the balance sheet date.

The amounts of the obligations and assets to which they refer are set out below.

Net cost charged to income	30.06.2007	31.12.2006	Change
Current service cost	130	271	(141)
Return on plan assets	-	(1,481)	1,481
Interest cost on obligations	282	2,041	(1,759)
Total	**412**	**831**	**(419)**

Change in present value of obligations	30.06.2007	31.12.2006	Change
Present value at 1 January	15,683	17,273	(1,590)
Net cost charged to income	412	831	(419)
Benefits paid	(1,921)	(1,952)	31
Other changes	-	(564)	564
Translation difference	(125)	95	(220)
Total	**14,049**	**15,683**	**(1,634)**

The assumptions used for determining the obligations under these plans are the same as those used in the financial statements at 31 December 2006.

The composition of the group's workforce is analyzed in the following table:

	30.06.2007	31.12.2006
Blue collar	5,255	4,154
White collar	2,635	2,537
Executives	123	122
Total workforce	**8,013**	**6,813**

The increase is mainly due to the addition of 1,172 workers to the workforce in China.

30. Non-current provisions for contingencies and other charges

These are broken down as follows:

	30.06.2007	31.12.2006	Change
Agents' leaving indemnity provision and other retirement provisions	**6,308**	**6,415**	**(107)**
Product warranty provision	9,219	9,290	(71)
Provisions for contingencies and other charges	12,926	12,522	404
Other provisions	**22,145**	**21,812**	**333**
Total	**28,453**	**28,227**	**226**

The agents' leaving indemnity provision covers the payments that might be due to departing agents in accordance with article 1751 of the Italian Civil Code, as applied by collective compensation agreements in force.

The "Agents' leaving indemnity provision" and "Other retirement provisions" have reported the following movements during 2007:

	31.12.2006	Utilization	Increases	Other	30.06.2007
Agents' leaving indemnity provision	6,192	(380)	271	2	6,085
Other retirement provisions	223	-	-	-	223
Total	**6,415**	**(380)**	**271**	**2**	**6,308**

Other provisions reported the following movements:

	31.12.2006	Utilization	Increases	Release	Translation difference	Other	30.06.2007
Product warranty provision	9,290	(2,851)	2,655	(73)	(7)	205	9,219
Provisions for contingencies and other charges	12,522	(2,744)	3,554	(358)	(48)	-	12,926
Total	**21,812**	**(5,595)**	**6,209**	**(431)**	**(55)**	**205**	**22,145**

The "Product warranty provision" has been established, for certain consolidated companies, on the basis of estimated under-warranty repair and replacement costs for sales taking place by 30 June 2007. It takes account of the provisions of Decree 24/2002 and of European Community law.

The "Provision for contingencies and other charges" includes:

- the provision for insurance deductibles of €1,552 thousand (€2,033 thousand at 31 December 2006), which covers the group's insurance liability (limited to the deductible) in the case of liabilities arising from complaints;
- a provision of €1,899 thousand against costs associated with the fire on 18 April 2007;

a provision of €9,475 thousand (€10,489 thousand at 31 December 2006) against contingencies and charges facing the parent company and certain subsidiaries.

Current liabilities

31. Trade payables

The balance represents the amount owed by the group to third parties for the provision of goods and services.

Trade payables are broken down by geographical area as follows:

Geographical area	30.06.2007	%	31.12.2006	%
Italy	166,575	50.8%	166,721	51.0%
United Kingdom	10,097	3.1%	21,398	6.5%
Rest of Europe	49,007	14.9%	50,898	15.6%
United States, Canada, Mexico	7,756	2.4%	8,856	2.7%
Rest of the world	94,570	28.8%	79,215	24.2%
Total	**328,005**	**100.0%**	**327,088**	**100.0%**

Financial payables are discussed in the corresponding notes on “Non-current liabilities”.

32. Current tax liabilities

These are broken down as follows:

	30.06.2007	31.12.2006	Change
Direct taxes	13,529	8,796	4,733
Indirect taxes	2,438	3,624	(1,186)
Withholdings payable	2,363	4,303	(1,940)
Other taxes	2,186	4,431	(2,245)
Total current tax liabilities	**20,516**	**21,154**	**(638)**

Tax liabilities due beyond 12 months amount to €1,474 thousand.

33. Other payables

These are detailed as follows:

	30.06.2007	31.12.2006	Change
Social security institutions	7,135	6,888	247
Sundry payables	49,568	49,023	545
Total other payables	**56,703**	**55,911**	**792**

“Social security institutions” include €5,672 thousand in payables to social security agencies, €69 thousand in payables to Italy’s industrial accident insurer and €1,394 thousand to other welfare agencies.

"Sundry payables" are detailed as follows:

	30.06.2007	31.12.2006	Change
Employees	24,784	20,550	4,234
Advances	2,546	2,669	(123)
Other	22,238	25,804	(3,566)
Total sundry payables	**49,568**	**49,023**	**545**

34. Commitments

These are broken down as follows:

	30.06.2007	31.12.2006	Change
Guarantees given:			
- to third parties	7,606	13,125	(5,519)
Other commitments	5,079	4,380	699
Total	**12,685**	**17,505**	**(4,820)**

"Other commitments" mainly consist of €3.9 million in contractual obligations by the subsidiary De'Longhi America Inc..

In connection with the sale of Elba S.p.A.:

- De'Longhi Finance S.A. (the seller) has given a warranty against any pre-acquisition costs.
- De'Longhi S.p.A. (the seller's shareholder) has given a first-call warranty for €30 million against any pre-acquisition costs that might emerge in the twenty-four months after signing the sale agreement. If, at the end of the twenty-fourth month a claim for reimbursement is still unsettled, the warranty may be extended for another twelve months but only for the amount of the claim (plus a maximum margin of 30%).

35. Risk management

The group is exposed to the following financial risks as part of its normal business activity:

- credit risk, arising from commercial activities, financing activities and the investment of surplus cash;
- liquidity risk, arising from the need to have suitable access to capital markets and sources of finance to fund its operations, investment activities and the settlement of financial payables;
- exchange rate risk, associated with the significant amount of purchases and sales in currencies other than the group's functional currency;

interest rate risk, relating to the cost of the group's borrowings.

Liquidity risk

Liquidity risk is the risk of not having the funds needed to fulfil payment obligations arising from operating and investment activities and from the maturity of financial instruments.

The group uses specific policies and procedures for the purposes of monitoring and managing this risk, including:

- centralized management of financial payables and cash, supported by reporting and information systems and, where possible, cash pooling arrangements;
- raising of medium and long-term finance on capital markets;
- diversification of the type of financing instruments used;
- obtaining of short-term credit lines such as to ensure wide room for manoeuvre for the purposes of managing working capital and cash flows;
- monitoring of current and forecast financing needs and distribution within the group.

Exchange rate risk

The group is exposed to the risk of fluctuations in currencies (other than its functional one) in which ordinary trade and financial transactions are denominated. For the purposes of protecting its income statement and balance sheet from such fluctuations, the group adopts a suitable hedging policy that eschews speculative ends:

Hedging policies: hedging is carried out centrally by a special team of staff on the basis of information obtained from a structured reporting system, using instruments and policies that comply with international accounting standards. The purpose of hedging is to protect budgets and trade and financial receivables/payables.

Purpose of hedging: hedging is carried out with two goals: cash flow hedging of amounts contained in the budget up until the time of invoicing, and hedging of the monetary amounts of receivables and payables originating from invoicing and financing transactions.

Instruments used: highly liquid derivative instruments of a non-speculative nature are used, mostly forward purchase/sale agreements and call and put options. The counterparties to such transactions are leading institutions of high international repute.

Operating structure: hedging activity is centralized (except for isolated, negligible cases) under De'Longhi Capital Services S.r.l., the group's finance company, which intervenes on the markets on the basis of information received from the individual operating companies. The terms and conditions thus negotiated are passed down in full to the operating companies so that De'Longhi Capital Services S.r.l. does not directly carry derivatives for risks that are not its own.

The group has exposures to the major international currencies (US dollar, GB pound and Yen), to other minor currencies and those in emerging countries. A list of outstanding currency derivatives at 30 June 2007 is provided below:

- forward agreements to hedge 2007 budget (cash flow hedges):

Currency	Notional amount/000		Fair value €/000
	Purchases	Sales	
GBP vs/EUR		23,000	354
NZD vs/EUR		700	(46)
NZD vs/GBP		1,250	(73)
USD vs/EUR	(97,000)		(1,359)
USD vs/GBP	(38,500)		(1,231)
Total fair value			**(2,355)**

- forward agreements to hedge foreign currency receivables and payables (fair value hedges) and non-effective cash flow hedges:

Currency	Notional amount/000		Fair value €/000 (*)
	Purchases	Sales	
AUD vs/EUR		19,721	2
AUD vs/GBP		5,752	11
CAD vs/EUR		13,360	(108)
CHF vs/EUR		245	0
CHF vs/GBP		251	0
CZK vs/EUR		9,872	1
CZK vs/GBP		2,024	0
DKK vs/GBP		469	0
EUR vs/GBP	(308)	23,072	(3)
EUR vs/USD	(3,046)		12
GBP vs/EUR	(114)	50,170	(379)
HKD vs/EUR	(1,326)	1,227	0
JPY vs/EUR		503,401	27
NOK vs/EUR		1,932	(1)
NOK vs/GBP		2,623	(1)
NZD vs/EUR		7,401	(5)
NZD vs/GBP		3,406	(6)
PLN vs/EUR		21,437	(38)
SEK vs/GBP		769	0
TRY vs/EUR		1,406	(7)
USD vs/EUR	(16,586)	47,536	(1,818)
USD vs/GBP	(1,459)		(5)
ZAR vs/EUR		10,000	(12)
EUR vs/AUD	(275)		(8)
EUR vs/NZD	(26)		(2)
USD vs/AUD	(1,070)		(34)
USD vs/NZD	(66)		(3)
USD vs/ZAR	(3,000)		(21)
Total fair value			**(2,398)**

(*) This amount has already been recognized in the income statement in the current and/or previous periods.

Derivatives that hedge economic risk are treated as cash flow hedges in accordance with hedge accounting since they meet the requirements stipulated by IAS 39. Derivatives that hedge payables and receivables in currency are reported as financial assets and liabilities held for trading with changes in their fair value through profit or loss. These instruments offset the risk being hedged (already recorded in the financial statements).

Interest rate risk

The group is exposed to interest rate risk on floating rate loans and borrowings. This risk is managed centrally by the same team that manages currency risks.

All of the group's financial debt at 30 June 2007 was at floating rates following the decision to obtain the maximum benefit from the current level of interest rates, which although tending to rise are still lower than long-term fixed rates.

The purpose of interest rate risk management is to pre-set the maximum cost (in terms of the interbank rate, which represents the benchmark for these borrowings) for a part of the debt.

At 30 June 2007 there was just one outstanding hedge for €3.2 million expiring in the first quarter of 2008.

The fair value of this hedge at 30 June 2007 was as follows:

Company	Counterparty	Type of hedge	Maturity	Notional amount/000	Fair value €/000
Ariete S.p.A.	B. Pop. Verona e Novara	I.R.S.	14-Mar-2008	3,200	(10)
Total fair value					**(10)**

At 30 June 2007 the derivatives hedging this risk have been recorded as financial assets and liabilities held for trading with changes in their fair value through profit or loss.

36. Tax position

During 2006 the tax authorities carried out the following inspections at companies within the De'Longhi Group as part of their programme of periodic audits of large taxpayers:

De'Longhi S.p.A.: a general tax inspection for tax year 2003 by the Veneto regional tax office. A preliminary notice of findings was issued on 3 February 2006. On 20 November 2006 the company presented its defence and proposals, supporting its position with additional memorandum. A settlement was reached on 11 July 2007 under which the tax office allowed the company the tax losses of around €8.4 million previously contested.

Ariete S.p.A.: a general tax inspection for tax year 2003 by the Tuscany regional tax office. A preliminary notice of findings was issued on 14 June 2006. All the matters regarding direct taxes were settled on 14 December 2006, the impact of which was already reflected in the financial statements for the year ended 31 December 2006.

As regards the matters relating to indirect taxes, no agreement was reached and so on 7 June 2007 the company appealed against the assessment by the Prato tax office issued on 14 December 2006, in the belief that it will be able to justify with the relevant tax commissions and tribunals.

37. Transactions and balances with related parties

Appendix 2 contains the information concerning transactions and balances between group companies and related parties required by *CONSOB* Circulars 97001574 dated 20 February 1997, 98015375 dated 27 February 1998 and DEM/2064231 dated 30 September 2002. All such transactions fall within the group's normal operations, except as otherwise stated in these notes, and are settled under arm's-length terms and conditions.

38. Segment reporting

Segment information is presented below (using the primary reporting format):

Income statement data

	30.06.2007				30.06.2006			
	Professional	**Household**	**Eliminations**	**Consolidated total**	**Professional**	**Household**	**Eliminations**	**Consolidated total**
Total revenues	203,484	449,235	(16,185)	636,534	145,048	438,776	(7,650)	576,174
EBITDA	**24,849**	**26,907**	**23**	**51,779**	**16,182**	**25,237**	**(20)**	**41,399**
Amortization and depreciation	(3,631)	(15,456)	-	(19,087)	(2,703)	(16,412)	-	(19,115)
EBIT	**21,218**	**11,451**	**23**	**32,692**	**13,479**	**8,825**	**(20)**	**22,284**
Financial income (expenses)				(23,135)				2,440
Profit before taxes				**9,557**				**24,724**
Taxes				(5,901)				(147)
Profit (loss) after taxes				**3,656**				**24,577**
Profit (loss) pertaining to minority interests				133				228
Profit (loss) for the period				**3,523**				**24,349**

Balance sheet data

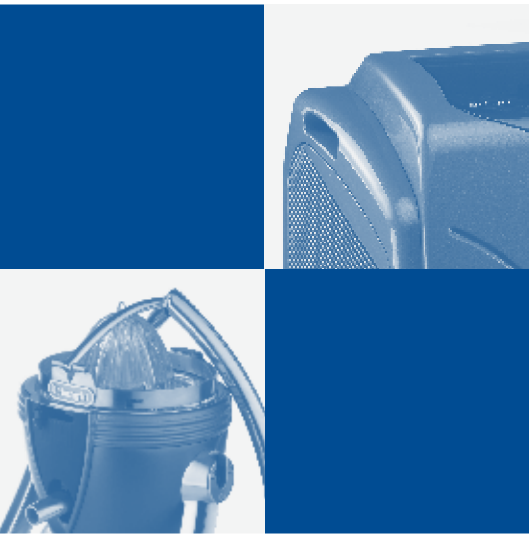
	30.06.2007				31.12.2006			
Total assets	561,525	1,229,495	(218,795)	1,572,225	525,158	1,106,950	(85,030)	1,547,078
Total liabilities	(511,143)	(666,081)	218,802	(958,422)	(392,100)	(619,413)	85,041	(926,473)

39. Subsequent events

Details of significant events since the end of June 2007 can be found in the report on operations.

Treviso, 12 September 2007
De'Longhi S.p.A.
Vice Chairman and CEO
Fabio De'Longhi

Appendices



These appendices contain additional information to that reported in the explanatory notes, of which they form an integral part.

This information is contained in the following appendices:

1. List of consolidated companies.
2. Transactions and balances with related parties:
   a) Income statement and balance sheet
   b) Summary by company

Attachment 1

List of consolidated companies

Company name	Registered office	Currency	Share capital (1)	Interest held at 30/06/2007	
				Directly	Indirectly
DE'LONGHI AMERICA INC.	Saddle Brook	USD	9,100,000	100%	
DE'LONGHI FRANCE S.A.R.L.	Clichy	EUR	2,737,500	100%	
DE'LONGHI CANADA INC.	Mississauga	CAD	1	100%	
DE'LONGHI DEUTSCHLAND GMBH	Seligenstadt	EUR	2,100,000	100%	
DE'LONGHI ELECTRODOMESTICOS ESPANA S.L.	Barcelona	EUR	2,510,000	100%	
DE'LONGHI CAPITAL SERVICES S.R.L. (2)	Treviso	EUR	53,000,000	11.32%	88.68%
DE'LONGHI APPLIANCES S.R.L.	Treviso	EUR	520,000	100%	
E- SERVICES S.R.L.	Treviso	EUR	50,000	51%	
DE'LONGHI LTD.	Wellingborough	GBP	4,000,000	100%	
DE'LONGHI NEDERLAND B.V.	Breda	EUR	226,890	100%	
DL TRADING LIMITED	Hong Kong	HKD	73,010,000		100%
TRICOM INDUSTRIAL CO. LTD.	Hong Kong	HKD	4,500,000		100%
PROMISED SUCCESS LTD.	Hong Kong	HKD	28,000,000		67%
ON SHIU (ZHONGSHAN) ELECTRICAL APPLIANCE COMPANY LTD.	Zhongshan City	CNY	39,034,400		67%
DONG GUAN DE'LONGHI-KENWOOD APPLIANCES CO.LTD.	Qing Xi Town	CNY	4,251,440		100%
CLIMAVENETA S.P.A.	Treviso	EUR	10,000,000		100%
CLIMAVENETA DEUTSCHLAND GMBH	Nordstedt	EUR	306,775		100%
CLIMAVENETA FRANCE SAS	Montesson	EUR	150,000		100%
DE'LONGHI FINANCE S.A.	Luxembourg	EUR	181,730,990	100%	
DE'LONGHI JAPAN CORPORATION	Tokyo	JPY	50,000,000		100%
DL RADIATORS S.P.A.	Treviso	EUR	5,000,000		100%
DE'LONGHI CLIMA POLSKA SP.ZO.O	Warsaw	PLN	597,000		100%
Company controlled through trust company (3)	Nuremberg	EUR	26,000		100%
DL RADIATORS FRANCE S.A.R.L.	Paris	EUR	150,000		100%
DE'LONGHI AUSTRALIA PTY LTD.	Sydney	AUD	18,000,001		100%
DE'LONGHI NEW ZEALAND LTD.	Auckland	NZD	6,000,000		100%
CLIMAVENETA HOME SYSTEM S.R.L.	Treviso	EUR	5,000,000		100%
ALABUGA INTERNATIONAL S.A.	Luxembourg	EUR	200,000	0.05%	99.95%
ZASS ALABUGA LLC	Elabuga	RUB	95,242,767		92.8%
DE'LONGHI LLC	Elabuga	RUB	6,000,000		100%
DL TRADING (SHENZEN) COMPANY CO LTD.	Shenzen	USD	363,000		100%
KENWOOD APPLIANCES LTD.	Havant	GBP	4,586,001		100%
KENWOOD APPLIANCES LUXEMBOURG S.A.	Luxembourg	EUR	1,000,000		100%
KENWOOD LIMITED	Havant	GBP	25,050,000		100%
KENWOOD INTERNATIONAL LTD .	Havant	GBP	20,000,000		100%
KENWOOD APPL. (SINGAPORE) PTE LTD .	Singapore	SGD	500,000		100%

Attachment 1

Company name	Registered office	Currency	Share capital (1)	Interest held at 30/06/2007	
				Directly	Indirectly
KENWOOD APPL. (MALAYSIA) SDN.BHD.	Petaling Jaya	MYR	3		100%
KENWOOD MANUFACTURING GMBH	Wr Neudorf	EUR	36,336		100%
KENWOOD HOME APPL. PTY LTD.	Industria West	ZAR	40,000		100%
KENWOOD HELLAS SOLE PARTNER LTD. LIABILITY COMPANY	Athens	EUR	48,000		100%
ARIETE S.P.A.	Campi Bisenzio (FI)	EUR	8,272,000		100%
ARIETE HISPANIA S.L.	Madrid	EUR	3,066		100%
ARIETE HELLAS EPE	Athens	EUR	18,000		100%
ARIES LUSITANIA ELECTRODOMESTICOS LDA	Maia	EUR	5,000		100%
ARIETE DEUTSCHLAND GMBH	Dusseldorf	EUR	25,000		100%
ARIETE FRANCE ELECTROMENAGER SARL	Paris	EUR	30,000		100%
CLIM.RE. S.A.	Luxembourg	EUR	1,239,468	4%	96%
DL PROFESSIONAL S.A.	Luxembourg	EUR	30,205,000	100%	
R.C. GROUP S.P.A.	Valle Salimbene	EUR	10,680,000		83.3%
R.C. LUX S.A.	Luxembourg	EUR	6,959,773		83.3%
R.C. AIR CONDITIONING AND REFRIGERATION (WUHAN) CO. LTD.	Wuhan	CNY	3,417,750		83.3%
ELLE SRL	Treviso	EUR	10,000	100%	
DE'LONGHI BOSPHORUS EV ALETLERI TICARET ANONIM SIRKETI	Istanbul	TRY	1,700,000	70%	
DE'LONGHI PRAGA S.RO	Prague	CZK	200,000	100%	

List of companies consolidated under the proportional method

Company name	Registered office	Currency	Share capital (1)	Interest held at 30/06/2007	
				Directly	Indirectly
CHAT UNION CLIMAVENETA COMPANY LTD.	Hong Kong	HKD	10,000		50%
CLIMAVENETA CHAT UNION REFRIGERATION EQUIPMENT (SHANGHAI) CO.LTD.	Shanghai	USD	2,500,000		50%
CLIMAVENETA CHAT UNION TRADING (SHANGHAI) CO.LTD.	Shanghai	USD	600,000		50%
DL-TCL HOLDINGS (HK) LTD.	Hong Kong	EUR	5,000,000		50%
TCL-DE'LONGHI HOME APPLIANCES (ZHONGSHAN) CO.LTD.	Zhongshan	USD	2,500,000		50%

List of companies consolidated under the equity method

Company name	Registered office	Currency	Share capital (4)	Interest held at 30/06/2007	
				Directly	Indirectly
Associated companies:					
Effegici S.r.l.	Gorgo al Monticano (TV)	EUR	244,400	25%	
Top Clima SL	Barcelona	EUR	1,606,000		25%
Emer S.p.A.	Monza	EUR	520,000	40%	

Other subsidiaries (in liquidation or dormant)

Company name	Registered office	Currency	Share capital
Subsidiary companies: (5)			
Kenwood Appliances (Australia) Pty Limited	Sydney	AUD	15,000
Kenwood Appliances Inc.	Havant	USD	25,000

(1) Figures at 30 June 2007, unless otherwise specified.
(2) The articles of association, approved by the extraordinary shareholders' meeting held on 29 December 2004, give special rights to De'Longhi S.p.A. (holding 89% of the voting rights) for ordinary resolutions (approval of financial statements, declaration of dividends, nomination of directors and statutory auditors, purchase and sale of companies, grant of loans to third parties); voting rights are proportional as far as other resolutions are concerned, except for the preferential right to receive dividends held by the shareholder Kenwood Appliances Plc.
(3) A distributor of heating products in Germany, the interest in which is held through a trust company. As permitted by law, we have omitted the company's name to protect its interests and those of the group.
(4) Figures at 31 December 2006.
(5) Dormant companies or companies in liquidation, whose balance sheets are unavailable.

Transactions and balances with related parties

Consolidated income statement

(Pursuant to CONSOB resolution 15519 of 27 july 2006)

(€/000)	30.06.2007	of which with related parties	30.06.2006	of which with related parties
Revenues from sales and services	623.081	7.712	562.306	7.230
Other operating income and revenues	13.453	203	13.868	160
Total consolidated net revenues	**636.534**		**576.174**	
Raw and ancillary materials, consumables and goods	(403.327)	(1.121)	(355.707)	(293)
Change in inventories of finished products and work in progress	55.647		54.266	
Change in inventories of raw and ancillary materials, consumables and goods	23.969		11.934	
Materials consumed	**(323.711)**		**(289.507)**	
Payroll costs	(84.867)		(84.452)	
Services and other operating expenses	(164.464)	(495)	(157.794)	(584)
Contingency and other provisions	(6.006)		(5.411)	
Other non-recurring income (expenses)	(5.707)		2.390	
Amortization and depreciation	(19.087)		(19.115)	
EBIT	**32.692**		**22.285**	
Financial income (expenses) from equity investments	2		24.941	
Other financial income (expenses)	(23.137)		(22.502)	
Financial income (expenses)	**(23.135)**		**2.439**	
Earnings before tax (EBT)	**9.557**		**24.724**	
Taxes	(5.901)		(147)	
PROFIT (LOSS) AFTER TAXES	**3.656**		**24.577**	
Profit (loss) pertaining to minority interests	133		228	
PROFIT (LOSS) PERTAINING TO THE GROUP	**3.523**		**24.349**	

Consolidated balance sheet - assets

(Pursuant to CONSOB resolution 15519 of 27 july 2006)

(€/000)	30.06.2007	of which with related parties	31.12.2006	of which with related parties
NON-CURRENT ASSETS				
INTANGIBLE ASSETS	412.969		414.158	
- Goodwill	223.701		223.679	
- Other intangible assets	189.268		190.479	
PROPERTY, PLANT AND EQUIPMENT	243.532		255.183	
- Land, property, plant and machinery	200.951		213.522	
- Other tangible assets	42.581		41.661	
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS	11.932		11.317	
- Equity investments (in associated companies)	6.607		6.476	
- Equity investments (in other companies)	731		731	
- Receivables	2.094		1.610	
- Other securities	2.500		2.500	
DEFERRED TAX ASSETS	43.911		41.332	
TOTAL NON-CURRENT ASSETS	**712.344**		**721.990**	
CURRENT ASSETS				
INVENTORIES	384.517		323.733	
TRADE RECEIVABLES	329.899	6.722	348.014	6.721
CURRENT TAX ASSETS	26.228		20.530	
OTHER RECEIVABLES	37.044		18.865	1.020
CURRENT FINANCIAL RECEIVABLES AND ASSETS	5.389	69	994	
CASH AND CASH EQUIVALENTS	76.804		112.952	
TOTAL CURRENT ASSETS	**859.881**		**825.088**	
TOTAL ASSETS	**1.572.225**		**1.547.078**	

Consolidated balance sheet - net equity and liabilities

(Pursuant to CONSOB resolution 15519 of 27 july 2006)

(€/000)	30.06.2007	of which with related parties	31.12.2006	of which with related parties
NET EQUITY				
GROUP PORTION OF NET EQUITY	608.464		615.568	
- Share capital	448.500		448.500	
- Reserves	156.441		127.292	
- Profit (Loss) pertaining to the group	3.523		39.776	
MINORITY INTERESTS	5.339		5.037	
TOTAL NET EQUITY	**613.803**		**620.605**	
NON-CURRENT LIABILITIES				
FINANCIAL PAYABLES	181.961		209.648	
- Bank loans and borrowings (long-term portion)	165.778		191.919	
- Other financial payables (long-term portion)	16.183		17.729	
DEFERRED TAX LIABILITIES	21.860		20.461	
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES	65.013		70.236	
- Employee benefits	36.560		42.009	
- Other provisions	28.453		28.227	
TOTAL NON-CURRENT LIABILITIES	**268.834**		**300.345**	
CURRENT LIABILITIES				
TRADE PAYABLES	328.005	818	327.088	1.751
FINANCIAL PAYABLES	284.364		221.975	
- Bank loans and borrowings (short-term portion)	263.652		203.898	
- Other financial payables (short-term portion)	20.712		18.077	
CURRENT TAX LIABILITIES	20.516		21.154	
OTHER PAYABLES	56.703		55.911	
TOTAL CURRENT LIABILITIES	**689.588**		**626.128**	
TOTAL NET EQUITY AND LIABILITIES	**1.572.225**		**1.547.078**	

Summary by company

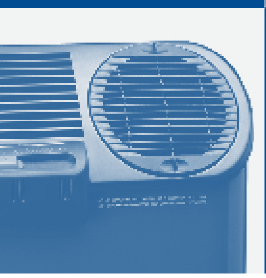
In compliance with the guidelines and methods for identifying significant transactions, especially those with related parties covered by De'Longhi S.p.a.'s rules on corporate governance, we shall now present the following information concerning transactions with related parties during the first half of 2007:

(€/million)	Revenues	Raw material and other costs	Trade and other receivables	Trade payables
Associated companies: (1)				
Top Clima SA	7.6	(0.7)	5.9	(0.6)
Total associated companies	**7.6**	**(0.7)**	**5.9**	**(0.6)**
Ultimate parent companies:				
De'Longhi Soparfi S.A.	0.2	-	0.2	-
Total ultimate parent companies	**0.2**	**-**	**0.2**	**-**
Related companies:				
Omas S.r.l.	-	(0.1)	0.7	-
Max Information S.r.l. (2)	-	(0.4)	-	(0.1)
Mokarabia S.p.A.	0.1	(0.4)	-	(0.1)
Total related companies	**0.1**	**(0.9)**	**0.7**	**(0.2)**
TOTAL RELATED PARTIES	**7.9**	**(1.6)**	**6.8**	**(0.8)**

(1) These mostly refer to dealings of a commercial nature.
(2) These refer to receivables for the recharge of services rendered and for the sale of the equity investment in Omas S.r.l.
Other than the above, there are no transactions with related parties except for the fees for professional services paid to the firm of Biscozzi Nobili.

The effects of the above transactions on cash flow are not material.

Individual financial statements of De' Longhi S.p.A.



Income statement

(€/000)	30.06.2007	30.06.2006
Revenues from sales and services	213.868	193.138
Other operating income and revenues	12.992	14.583
Total net revenues	**226.860**	**207.721**
Raw and ancillary materials, consumables and goods	(157.224)	(143.289)
Change in inventories of finished products and work in progress	5.717	17.447
Change in inventories of raw and ancillary materials, consumables and goods	12.245	1.443
Materials consumed	**(139.262)**	**(124.399)**
Payroll costs	(21.944)	(25.442)
Services and other operating expenses	(57.261)	(59.490)
Contingency and other provisions	(3.668)	(3.421)
Other non-recurring income (expenses)	(4.491)	1.924
Amortization and depreciation	(5.581)	(6.468)
EBIT	**(5.347)**	**(9.575)**
Other financial income (expenses)	(9.903)	(340)
Earnings before tax (EBT)	**(15.250)**	**(9.915)**
Taxes	3.330	5.538
PROFIT (LOSS) FOR THE PERIOD	**(11.920)**	**(4.377)**
EARNINGS PER SHARE	-	-

Balance sheet

Assets

(€/000)	30.06.2007	31.12.2006	30.06.2006
NON-CURRENT ASSETS			
INTANGIBLE ASSETS	105.463	105.260	105.429
- Goodwill	4.771	4.771	4.771
- Other intangible assets	100.692	100.489	100.658
PROPERTY, PLANT AND EQUIPMENT	91.326	107.872	112.182
- Land, property, plant and machinery	76.339	92.102	97.316
- Other tangible assets	14.987	15.770	14.866
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS	326.445	326.589	321.853
- Equity investments (in subsidiary companies)	318.304	319.033	311.983
- Equity investments (in associated companies)	3.025	3.025	3.025
- Equity investments (in other companies)	605	605	97
- Receivables	4.511	3.926	6.748
DEFERRED TAX ASSETS	4.458	4.100	8.722
TOTAL NON-CURRENT ASSETS	**527.692**	**543.821**	**548.186**
CURRENT ASSETS			
INVENTORIES	99.465	96.707	131.566
TRADE RECEIVABLES	182.513	184.191	194.667
CURRENT TAX ASSETS	12.391	9.407	12.610
OTHER RECEIVABLES	39.881	13.729	40.353
CURRENT FINANCIAL RECEIVABLES AND ASSETS	8.873	38.305	16.764
CASH AND CASH EQUIVALENTS	25.815	25.629	32.126
TOTAL CURRENT ASSETS	**368.938**	**367.968**	**428.086**
TOTAL ASSETS	**896.630**	**911.789**	**976.272**

Balance sheet

Net equity and liabilities

(€/000)	30.06.2007	31.12.2006	30.06.2006
NET EQUITY			
NET EQUITY	504.254	525.189	505.117
- Share capital	448.500	448.500	448.500
- Reserves	67.674	62.843	60.994
- Profit (loss) for the period	(11.920)	13.846	(4.377)
NON-CURRENT LIABILITIES			
FINANCIAL PAYABLES	77.600	98.302	171.447
- Bank loans and borrowings (long-term portion)	74.344	88.958	161.810
- Other financial payables (long-term portion)	3.256	9.344	9.637
DEFERRED TAX LIABILITIES	-	-	-
NON-CURRENT PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES	28.918	31.147	40.725
- Employee benefits	11.072	13.684	13.797
- Other provisions	17.846	17.463	26.928
TOTAL NON-CURRENT LIABILITIES	**106.518**	**129.449**	**212.172**
CURRENT LIABILITIES			
TRADE PAYABLES	117.082	131.184	116.429
FINANCIAL PAYABLES	119.233	85.534	83.796
- Bank loans and borrowings (short-term portion)	29.002	75.104	70.789
- Other financial payables (short-term portion)	90.231	10.430	13.007
CURRENT TAX LIABILITIES	1.984	2.560	4.372
OTHER PAYABLES	47.559	37.873	54.386
TOTAL CURRENT LIABILITIES	**285.858**	**257.151**	**258.983**
TOTAL NET EQUITY AND LIABILITIES	**896.630**	**911.789**	**976.272**

Cash flow statement

(in terms of Cash and cash equivalents)

(€/000)	30.06.2007 6 months	30.06.2006 6 months
Profit (loss) for the period	(11.920)	(4.377)
Amortization and depreciation	5.581	6.468
Net change in provisions and writedowns	(1.408)	(4.369)
Net losses relating to the fire	14.321	-
Cash flow generated (absorbed) by current operations (A)	**6.574**	**(2.278)**
Change in assets and liabilities for the period:		
Trade receivables	1.100	18.179
Inventories	(19.852)	(18.890)
Trade payables	(14.102)	(31.873)
Other current assets and liabilities	1.392	(2.117)
Cash flow generated (absorbed) by movements in working capital (B)	**(31.462)**	**(34.701)**
Cash flow generated (absorbed) by current operations and movements in working capital (A+B)	**(24.888)**	**(36.979)**
Investment activities:		
Net investments in intangible assets	(2.194)	(2.038)
Net investments in property, plant and equipment	(5.486)	261
Net investments in equity investments and other financial assets	(62)	(207)
Cash flow generated (absorbed) by investment activities (C)	**(7.742)**	**(1.984)**
Changes in net equity for IAS 32 and 39	(67)	(2.552)
Payment of dividends	(8.970)	(2.990)
Net change in other sources of finance	41.853	62.554
Cash flow generated by changes in equity accounts and by financing activities (D)	**32.816**	**57.012**
Increase (decrease) in cash and cash equivalents (A+B+C+D)	**186**	**18.049**
Opening cash and cash equivalents	**25.629**	**14.077**
Increase (decrease) in cash and cash equivalents (A+B+C+D)	186	18.049
Closing cash and cash equivalents	**25.815**	**32.126**

Statement of changes in net equity

(in terms of Net financial position)

(€/000)	30.06.2007 6 months	30.06.2006 6 months
Profit (loss) for the period	(11.920)	(4.377)
Amortization and depreciation	5.581	6.468
Net change in provisions and writedowns	(1.408)	(4.369)
Net losses relating to the fire	14.321	-
Cash flow generated (absorbed) by current operations (A)	**6.574**	**(2.278)**
Change in assets and liabilities for the period:		
Trade receivables	1.100	18.179
Inventories	(19.852)	(18.890)
Trade payables	(14.102)	(31.873)
Other current assets and liabilities	1.392	(2.117)
Cash flow generated (absorbed) by movements in working capital (B)	**(31.462)**	**(34.701)**
Cash flow generated (absorbed) by current operations and movements in working capital (A+B)	**(24.888)**	**(36.979)**
Investment activities:		
Net investments in intangible assets	(2.194)	(2.038)
Net investments in property, plant and equipment	(5.486)	261
Net investments in equity investments and other financial assets	(62)	(207)
Cash flow generated (absorbed) by investment activities (C)	**(7.742)**	**(1.984)**
Changes in net equity for IAS 32 and 39	(67)	(2.552)
Payment of dividends	(8.970)	(2.990)
Cash flow generated by changes in equity accounts (D)	**(9.037)**	**(5.542)**
Effect of factoring receivables without recourse (E)	**-**	**62.729**
Cash flow for the period (A+B+C+D+E)	**(41.667)**	**18.224**
Opening net financial position	**(116.025)**	**(217.882)**
Cash flow for the period (A+B+C+D+E)	(41.667)	18.224
Closing net financial position	**(157.692)**	**(199.658)**

Statement of changes in net equity of De' Longhi S.p.A.

(€/000)	Share capital	Share premium reserve	Legal reserve	Other reserves	Cash flow hedge reserve	Profit (loss) carried forward	Profit (loss) for the period	Total
Balance at 31 December 2005	**448.500**	**325**	**5.393**	**43.384**	**(639)**	**8.085**	**9.147**	**514.195**
Allocation of 2005 result as per AGM resolution of 27 April 2006								
- payment of dividends							(2.990)	(2.990)
- allocation to reserves			200	808		5.149	(6.157)	-
Change in cash flow hedge reserve					(1.711)			(1.711)
Profit (loss) for the period							(4.377)	(4.377)
Balance at 30 June 2006	**448.500**	**325**	**5.593**	**44.192**	**(2.350)**	**13.234**	**(4.377)**	**505.117**

(€/000)	Share capital	Share premium reserve	Legal reserve	Other reserves	Cash flow hedge reserve	Profit (loss) carried forward	Profit (loss) for the period	Total
Balance at 31 December 2006	**448.500**	**325**	**5.593**	**44.192**	**(501)**	**13.234**	**13.846**	**525.189**
Allocation of 2006 result as per AGM resolution of 18 April 2007								
- payment of dividends							(8.970)	(8.970)
- allocation to reserves			692	4.184			(4.876)	-
Change in cash flow hedge reserve					(45)			(45)
Profit (loss) for the period							(11.920)	(11.920)
Balance at 30 June 2007	**448.500**	**325**	**6.285**	**48.376**	**(546)**	**13.234**	**(11.920)**	**504.254**

Statement of gains (losses) recognized

(€/000)	1st half 2007	1st half 2006
Gains (losses) recognized directly in cash flow hedge reserve	(45)	(1.711)
Total gains (losses) recognized directly in net equity in period	**(45)**	**(1.711)**
Profit (loss) for the period	(11.920)	(4.377)
Total gains (losses) recognized in the period	**(11.965)**	**(6.088)**